

FAR EASTERN ECONOMIC REVIEW

Vol. VI.

Hongkong, February 23, 1949

No. 8

FROM THE CONTENTS:—

*Developments in 1948 in Britain, U.S.A.
Hongkong's Public Finance
Shanghai Share Market*

*Hongkong's Trade in January
Reports from Malaya
Reports from China*

*Developments in the Philippines
The Situation in Burma
Industries in Indonesia*

No Peace in the Far East

Conflicts of multiple origin beset the countries and people of the Far East causing mounting unrest and violence. After the termination of the last war political movements which had been slowly growing and developing became increasingly vocal, insistent and prone to challenge authority. While before the start of Japanese war operations against the Allies in December 1941 there existed in every colonial territory significant popular movements striving for a greater share in the administration of their respective countries, the post-war focus of political agitation has shifted from the national and the metropolitan-colonial sectors to the social conflict centre. In all Far Eastern countries the land problem remains the principal issue which must be solved if social peace is not to be uprooted. The Communists in all the backward countries of the Orient have thrived on the justified dissatisfaction of the agrarian population which forms the vast majority in every territory, and the intelligentsia in most Far Eastern countries have, overtly or covertly, lent support to any agrarian reform movement irrespective of its leadership. Social improvement, it appeared to the common people, was possible only, in the face of an intransigent feudal class, by wringing political concessions from the ruling classes.

Without any trained and determined political leadership the submerged agrarian population could never expect reforms; however, with ascendancy of Bolshevism in Russia and the outstanding successes of the Soviets in their vast country, the Communist parties in Far Eastern territories received sufficient encouragement and stimulus to put themselves at the helm of the frustrated landless farmers, and the slow process of breaching the formerly unassailable strongholds of feudalism set in. Industrial labour being largely nonexistent in the backward Orient, with the exception of Japan, did not prove to be much of a help in the Communist led fight for social emancipation. Nevertheless what politically and class conscious proletariat was amenable to organisation came under the fire of agitators; but the Communist

parties in the Far East soon had to find out, to their chagrin, that the city proletariat consisted mostly of "lumpen"—thus necessitating the abandonment of hope for potent support from the cities and relying, more than ever, on the revolutionary spirit of the rural population. The success of the Chinese CP is explained only by the almost faultless party strategy with which the name of the Chairman of the CCP, Mao Tse-tung, will remain inseparable.

Wherever the native feudalism succeeded to gain the favour of metropolitan powers, who misguidedly based their rule on so flimsy and decrepit a support, the land reform movements assumed an anti-Western, often aggressively hostile attitude. The problem of metropolitan relations with their colonies could have been channelled away from the all-embracing social avalanche if the Western rulers would have sought a compromise with the landless millions; but the masses' potential explosive force was not appreciated in time; only after the Japanese surrender some efforts were made by the returning European authorities to reconcile the more mature agrarian reform movements, now decidedly under the Communist parties' leadership, with the interests of the dominant classes. The struggle for social reform continues at the moment with great tension being created by the world-wide conflict between the US and USSR.

A third important but inter-Asian type of conflict is brewing since many years before the last war; fanned by experiences of the war years native nationalistic movements have gained momentum, their most virulent spokesmen demanding the expulsion of non-indigenous and immigrant populations. National emancipation according to such apostles—raving from the Philippines and Indonesia to Burma—can only be achieved if the large and often economically domineering alien groups are ejected. The overseas Chinese in the Far East face the ire of the majority of nationalistic movements in South East Asia, and their position is indeed endangered.

But overshadowing all problems of nationalism and anti-colonial agitation is the Communist led and organised social emancipation movement. Under

present economic backwardness in all Far Eastern countries (with the exception of Japan) the political program of the Communist parties calls for a temporary alliance with the middle classes in the cities and only after some advance in industrialisation has been achieved can a new stage be realised: from alliance with the medium and petty bourgeoisie ("new democracy") to progressive socialism and the classless society. For the period of "new democratic" transition a Communist-bourgeois condominium is programmed, and, as far as China today is concerned, this period has just set in with preparations for the "coalition government of unified China".

The blindness or unwillingness to recognise unalterable facts which have become so obsessive with a large number of influential politicians in the US is demonstrated by the even now repeated demands that the might of America shall be placed behind the Kuomintang in China. Prof. Nathaniel Peffer had recently to rebuke serious proposals made in the US for resumption of help to the internationally discarded Kuomintang, stating inter alia:—

"The danger now is that we shall see in the pathetic little rump government in Canton and the rich, but frightened, political refugees in Formosa another presumable bulwark against Communism and throw away a few more thousands of millions of dollars. For, if the Chinese people would have none of the Kuomintang and the Chiang Kai-shek Government when it had the prestige of being a government and had an army and commanded the political and financial patronage and revenue of the country, they will have none of its battered and discredited remnants. There is no chance of building up any resistance to the Communists in China now. There is nothing to build on."

Responsible leaders of every nation must not fail to explore, with infinite patience, every possible avenue of approach, of mutual accommodation and of compromise. Progress can and must be achieved without resort to violence in a society which prides itself to have grown conscious of the social process and which thus can be scientifically guided. Violence in this atomic age of ours may assume truly cataclysmic pro-

portions. While it may be true that social processes may be interpreted by the Hegel-Marx theory of Thesis-Antithesis-Synthesis, there is nothing to contradict the validity of the postulate that progress should be achieved by evolution rather than violent revolution. Defenders of the status quo invite the same disaster upon humanity as do the advocates of world revolution; there is, there always must be a tertius quid. The alternative to compromise is destruction and misery.

Harassed Malaya

Out of the jungle and wilderness British effort has created one of the most spectacular and inspiring feats of human progress. It is just 130 years that Stamford Raffles first landed on the island of Singapore and set to work to build a new country under the most difficult conditions men ever found before them. The great achievements of Raffles and his successors belong to history. The task of the present is to promote production and industry, to enhance prosperity and ensure such favourable conditions as to guarantee the happiness of the citizens. The 6 million Malaysians in Singapore and the Federation can look forward with confidence into a promising future.

In its progress on the road to self-determination Malaya is now facing an excruciating test; on February 1, 1948 the Federation of Malaya, against much internal opposition, was inaugurated but a few months after, in June, organised terrorism broke out and has lasted until now with no early prospect for its complete subjugation. The indigenous Malays, with the exception of a relatively small group of leftist Malays, were enthusiastic about the establishment of the Federation but large numbers of domiciled and immigrant Chinese, with occasional support from Indians, protested. During the one year of the Federation's existence opinions have changed and while not all non-indigenous groups, mainly the Chinese, are now supporting the political idea of establishing a workable democratic form of government in Malaya as incorporated in the constitution of the Federation, active opposition has ceased.

The problems before the young Federation of Malaya are manifold and baffling; in a country inhabited by many races and divergent communities an undue amount of tensions cannot be avoided. The very shape of the Federation is problematical with the serious demand by the majority of Penang's citizens to secede from the Federation and to be constituted, like Singapore, as a Colony. The United Malay National Organisation is the backbone of the new state; the vast majority of the Malays support the UMNO. All the Sultans of the former Malay States see in the Federation the vindication of the claim of the native people to their soil. The UMNO, a combination of a racial and religious and political movement, is most ably and responsibly led by the Menter Besar of Johore,

Dato Onn bin Jaafar; next to Dato Onn is Inche Pateh Akhir, of Selangor, but there are many modern Malay political leaders who command the confidence of the people.

The smooth progress of political reforms and democratisation of the Federation is challenged by the Malayan Communist Party (MCP). Since the MCP dominated trade unions were outlawed an unrelenting guerilla against the Governments at Singapore and Kuala Lumpur has been waged. It is too late today to ponder on the question whether the outbreak of violence was avoidable; in view of the fact that considerable depots of arms and ammunition were in the hands of the militant MCP upon the surrender of the Japanese army — most of these arms originating from Allied supplies, to a lesser extent from Japanese war stocks seized after the surrender of the Japanese — and seeing that the leaders of the MCP assumed an increasingly truculent and uncompromising attitude, a clash with the Government could not be postponed for long. In the ranks of the MCP and especially of the officials of trade unions there was an inordinately large number of social parasites who could only justify their high revenue from the unions and unending exactions from the working class by creating political dissatisfaction and agitating for strikes. The situation in Singapore and Malaya as regards the public generally and certain groups of organised labour became more explosive in the first few months of 1948; strikes were fomented, labour disputes engineered, and violence was continually threatened. Conspicuous MCP figures were Chang Ming-ching (Singapore) and Liew Yin-fan, Wu Tien-wang (Malaya) — practically all MCP members being overseas Chinese.

Now the fight is on between authority and lawlessness. Within six months much headway has been made but the end is not yet in sight. The jungle territory is the greatest ally of the insurgents but the prospects for thorough cleaning of the guerillas are encouraging. Planters and estate managers show much anxiety desiring, as is understandable, a much quicker end of the terroristic campaign.

It is most important to recall that the Chinese Communist Party has very clearly dissociated itself from the activities of the terrorists in Malaya and there is no evidence to show that other Communist Parties in Asia approve of the acts of the terrorists. There is some sympathy with the lot of the estate labour in Malaya which finds expression in occasional demonstrations of leftist organisations, from London to New York, and more conciliatory individuals suggest calling off the campaign; no doubt after authority has been fully re-established in Malaya there can and should be a general redress of all wrongs; but the extirpation of terrorists is the sine qua non.

Siam in Armour

On the surface there is calm in Bangkok but the government is anticipative of adverse developments and

has taken preparatory steps to obviate plunging into major peace preservation operations. Political undercurrents are swelling since the insurrection in neighbouring Malaya has involved parts of the southern territories of Siam where Moslim Malays predominate who could easily be utilised by the Communists in their attempt to overthrow the constituted authority. Besides the Communist Party of Siam, composed mainly of overseas Chinese, there is a small faction of politicians who were the ex-Premier Pridi Phanomyong's followers and now try to embarrass the Pibul government. As Marshal Pibul is however the undisputed leader of his nation, no significant opposition can develop any threat to his position.

Britain, the traditional ally of Siam, is now reinforcing Siam's armour and has promised assistance in case of Siam being drawn into internal commotion. That Siam, under Japanese duress and discouraged by the apparent weakness of Britain in the first stages of world war II, declared war on the Allies is now forgotten; but it will be useful to remember that a militarily weak nation can be expected to remain loyal to its obligations only if the major power is strong.

From the early days when British traders opened Siam to international trade to the present period, with few blots only on the record, Anglo-Siam relations were mutually satisfactory and most friendly. It is largely due to the British policy that Siam remained independent, that she successfully emerged from the dark days of feudalism and the disabilities of extraterritorial jurisdiction. The first modern treaty was made by Britain's Ambassador Sir John Bowring with King Mongkut, who succeeded the last absolute ruler Phra Nangklao, and then the general intercourse with the west began; the ruling feudal class had to abandon its hold on the trade which was a royal monopoly and as from 1856 treaties with other nations followed containing the most-favoured nation clause. The efforts of Siam's most enlightened monarch, King Chulalongkorn, eventually led in 1920 to the full restoration of judicial and fiscal autonomy with Britain taking the principal role in leading Siam on the road towards modernisation.

After the surrender of Japan Britain and the Allies showed their magnanimity by not pressing any war reparations; on January 1, 1946, a new treaty was signed between Britain and Siam, normal diplomatic relations were resumed, and provision was made for Siam's free delivery of 1½ million tons of rice within 1½ year, but the terms of this rice agreement were subsequently revised on three occasions which granted Siam the privilege to sell, instead of freely supplying, rice to the needy territories in South East Asia. Thus, by the end of 1948, Siam had exported since the end of war a total of 1.75 millions tons of which 850,000 tons were deliveries against stipulated prices to South East Asia. Total earnings for the 1.75 m. tons were about 40 million pounds of which about 25% were actually earned in US\$.

Today Siam is in latent danger and she finds that Britain is at her side; arms for the Siamese forces are being delivered, rehabilitation materials have been shipped to Bangkok, and selected officers of the army and police receive thorough training from the British. London is underwriting Siam's security.

• • • • •

Chaos in Burma

Civil war in Burma has intensified during the last few weeks with larger areas and more troops, regulars and irregulars, involved. Popular dissatisfaction with economic conditions in a country of potential plenty but actual poverty has increased after the liberation from Japanese occupation. Farmers who constitute the vast majority of the country are all poor and mostly illiterate but political parties have organised considerable numbers of these people into militant groups. The possessions of foreigners contrasted with the poverty of the masses have engendered, moreover, a current of anti-foreign feeling. While the British are, by and large, considered as Burma's and the peoples of Burma's friends, having developed much of the potential wealth of the country, the presence of large numbers of Indians and Chinese is a constant irritant. In trade and general urban occupation the two alien groups, so conspicuous also by their living apart from the natives and, quite frequently, overbearing attitude towards the native population, have caused a general movement, irrespective of parties, which aims at the gradual elimination of Indians and Chinese.

The present government headed by the socialist premier Thakin Nu finds itself opposed by several national and political groups which opposition may prove to be beyond the power of the Rangoon government and might eventually lead to splitting up of Burma. Next to Thakin Nu the most powerful personality in Rangoon was the Commander-in-Chief of the army, General Smith Dun, a Karen by origin; he has recently resigned and thus has vitally contributed to the success of the Karen tribes who are no longer satisfied with autonomy within the Burma Union but demand full independence.

The Karens have entered into temporary alliance with the Burma Communist Party (BCP) as the Communists support the national aims of the various nationalities within Burma. The BCP was formed in 1942 and developed during the war as "Antifascist Peoples Freedom League" organising guerillas to wage war against the Japanese; the Allies supplied them with arms. In March 1948, the BCP was declared an illegal organisation by the then independent Rangoon government, and the first serious outbreak of civil war started. Secretary general of BCP is Than Tun; other BCP leaders are: Aung Gyi, Thakin Ba, Thein Tin, Pe Thein, Hari Harayan, Thakin Bain.

The so-called Red Flag Communists of Burma who seceded from the BCP in 1946 maintain a twofold fight, against the government and the BCP.

The People's Volunteer Organisation (PVO) is another group locked in bitter fight with Thakin Nu's government; they comprise ex-soldiers under the late Aung San's army. Recently the PVO has lost importance as a major factor as large contingents have either deserted to the legal government or joined the BCP guerillas.

The Burmese army is plagued by lack of discipline and by shifting of loyalties within the officer corps. Thus considerable numbers of previously loyal troops become insurgents. The civil war has affected practically every corner of the country and tends now to paralyse production and commerce.

Provided that the Karens will establish an independent state and the various non-Communist dissident groups can be placated, the question of co-existence of the Burmese Socialists and Communists remains to be settled. The past record of the militant BCP does not encourage any sanguine hopes for the future although no serious threats to Thakin Nu's government should be expected if the rest of the opponents can be got rid of, one way or the other. Independence for Burma has come too early but since it was the wish of the majority of the people there was no alternative for Britain. Chaos will continue for a long time in Burma which will not only affect seriously the livelihood of the native populations but also the world at large which is in need of the rich produce of Burma.

• • • • •

Hukbalahaps on the Defensive

The poverty of the rural population in the Philippines, particularly in Central Luzon, is the most reliable ally of the Hukbalahaps, or Huks for short, who under their leader Luis Taruc continue guerilla actions against the Philippine government. Taruc started in 1942 with his People's anti-Japanese army which was found useful by the U.S. forces when invading the Philippines. Taruc was supported with arms and funds. There was, prior to the Japanese invasion, a radical agrarian reform movement on foot in Central Luzon with poor farm tenants constituting the core of this Marxist group. The Huks, however, succeeded during the protracted guerilla warfare against the Japanese army to take over the leadership of the agrarian movement and after the Americans had liberated the Islands the Philippine Communist Party (PCP) emerged to importance in political life.

The late President Roxas did not see eye to eye with Taruc and campaigns for the rounding up of the Huks were carried out without leading to any lasting success. When the new President Elpidio Quirino after Roxas' death attempted to compose the strife the Huks for a short time observed a truce and

Taruc even came to Manila. His seat in Congress was soon vacated and hostilities resumed.

The Manila government and the PCP can no longer be expected to come to terms; it is now a fight to the finish. Luzon's mountainous interior is the Huks' base from where the Constabulary seem to be unable to dislodge them. Taruc has of late even increased the area under the PCP control. He conducts virulent anti-US propaganda—in line with other CPs. A number of overseas Chinese are with the Huks and there is liaison between Communist China and the Huks. At present, the Huks do not endanger any significant phase of the Philippines' national life, their activities are far too remote from Manila to be observed by the citizens generally. The Government, however, is concerned with the insurrection which they are unable to subdue. The Huks represent a small but potentially powerful nucleus of the PCP.

• • • • •

Two Koreas

South Korea, separated by the 38th parallel from North Korea, is a recognised republic the chairman of which government is Syngman Rhee. But the recognition so far has only come from Washington and Nanking with other governments, mainly the U.K., moving cautiously and according Seoul, South Korea's capital, only de facto recognition. The U.S. Army remains the most important influence in South Korea. Their achievements have been extraordinary in the rehabilitation of the country but there are few friends of the U.S. in Seoul. The split of the nation into two opposing governments is blamed on the U.S. with Moscow having more admirers than enemies. Syngman Rhee's government is based on the very small layer of business interests and the landlords; among the common people it has hardly any support. Cooperating with Rhee are Kim Koo, the wartime leader of Free Korea in Chungking and Kim Kiuse, US educated Christian; but both men advocate the unification of Korea, that is the merging of the Seoul and the Pyongyang governments.

In North Korea, with capital at Pyongyang, the People's Democratic Republic of Korea has been established after the Soviet Russian army evacuated the territory. The chairman of the Presidium of the Supreme People's Assembly is Kim Dubon, and the Premier of the government is Kim Irson. In contrast to internal disorders in the South—which of late have receded—popular support for the Pyongyang government appears to be firm. The backbone of the government is, of course, the Korean Communist Party (KCP) which emerged, after Korea's liberation from Japanese control, in September 1945, as a unifying force bringing all leftist groups under its political control. After

several mergers the KCP became, in 1947, the strongest single party in all Korea drawing to itself, with the active support of the then army of occupation of the USSR, many outstanding leaders of Korea's public life.

To all intents and purposes, North Korea is a Communist governed territory. As it is the fervent desire of the majority of Koreans to see the unification of their country the future of Korea may be a "red" one. The Syngman Rhee government has neither the ability nor sufficient popular support to enter into a coalition with Pyongyang. Only the presence of the U.S. forces in South Korea prevents for the time being the extension of the jurisdiction of the "People's Democratic Republic of Korea" south of the 38th parallel.

• • • • •

Communist Developments in China

Little factual news has been gathered during the past week regarding the Kuomintang Government, though there have been many rumours. It is now reported that peace feelers are being put out by the Canton section of the government with the Communist representatives in Hong Kong, which apparently have not received the blessing of Acting President Li Tsung-jen, indicating a widening rift as to the policy to be pursued between the Nanking and Canton portions of the Government. Affairs are certainly obscure, though the next few days should show developments in a clearer light.

Where the Communists are concerned, however, the policy to be followed is taking form, and one or two occurrences help to throw light on the situation. In Peiping, for instance, although foreigners are not allowed to leave the city, they are permitted to move about inside it without molestation by the troops, which are apparently under good discipline. Foreign consuls are definitely ignored, and sentinels stationed outside the consulates examine the credentials of those entering. Postal communications between various parts of the area under Communist control have been restored, but air travel is not yet permitted. A foreign affairs bureau has been opened, which should facilitate contacts between foreign residents and the city government. These and other points indicate a clearing of the position though so far it has not been possible to obtain regular resumption of trade. Nevertheless efforts are being made and it is hoped that it will not be long before matters return to something approaching normalcy.

Interest has been created by the announcement of the KMT authorities in Hunan that, starting with that province, land reforms would be put into operation under which each family would be allowed to own from 30 to 50 *mow* of land (6 *mow* to an acre), the quantity being gauged according to the productive capacity of the land.

Labour Organisations in Far Eastern Countries

The post-war years have witnessed a resurgence of trade unionism in China, Japan, and South-east Asia. Japan has numerically the largest trade union membership, which in 1947 approached six million. China, with a membership of over two million, follows. Other countries have smaller union membership, from below 100,000 to several hundred thousand. Industrial development in these countries is still in infancy; trade unionism, a product of industrialism, is retarded in its rise by political disturbance in Indonesia and Indo-China, and predominance of alien, transient, and illiterate labour groups all over South-east Asia. The infiltration of Communist influence among the rank and the organized labour is another feature. In China and Korea, labour is divided into two camps, Communist and non-Communist. In Japan this division is also marked. Elsewhere, in Hongkong, Singapore, Rangoon, although the two groups cannot as yet be clearly distinguished, there are strong undercurrents tending to accentuate the difference in labour policy and programme.

Labour on the whole has made important advances towards a more fully organized movement. In China the principle of labour organization has been made compulsory. In Japan, SCAP have from the beginning of the occupation ordered the removal of all hindrances to labour organization. In Hongkong, Malaya and Singapore, the Trade Union Act of 1941 has been enforced. In Burma, there has developed a movement for the organization of peasants' unions, in addition to organization among the industrial workers.

Burma: Shortly after the re-occupation of Rangoon by the British, Burma's leaders met to revive and expand unionism. In May 1945 labour leaders decided to work for such objectives as 'the freedom of the world and of Burma.' On 30th June of the same year, labour representatives met in the Burmese capital to form an association of trade unions in Burma. On 8th July, Than Tun, Communist Secretary of the Anti-Fascist League, published a statement of the League's policy on trade unions to the effect that members of unions might meet unofficially, and that workers were welcome to join the League. On 30th September a mass meeting of the All-Burma Labourers' Union was held in Rangoon, passing resolutions on the Union's political objectives. Mass meetings were frequent during the first half of 1946 and new unions were formed, large organizations of labourers generally preceding, or less frequently, absorbing, those of a particular trade. These unions included clerks and office workers, post office workers, mining labourers, but the most important was that organized on 1st January, 1946, by the civilian workers on Burma's railroads, with a membership of about 2,500. By the end of February, 1948, the total number of unions registered under the Trade Unions Act was 59, with a total membership of 40,620.

An unusual development in Burma's labour movement has been the organization of peasants into unions under political leadership, which seems to have antedated the British re-occupation of Burma. By January 1946 cultivators who had attended the All-Burma Trade Union Congress were asked to a special peasants' mass meeting, at which resolutions were passed which placed upon all workers in Burma the duty of uniting under a single trade-union congress and called upon cultivators throughout the country to join associations which eventually would be merged into an all-embracing Peasants' Union. A central committee of this proposed Peasants' Union, under the chairmanship of the Communist leader Than Tun, who was also secretary of the AFL, urged upon the government the adoption of an agricultural reform programme including government remittance of all rents and taxes payable by the farmers throughout Lower Burma, enactment of a new tenancy law, direct purchase of paddy from the cultivators and cessation of rice exports, and the establishment of an Agricultural Projects' Board on which the peasants' unions would be represented to make concrete plans for the 1946-47 paddy season.

China: The Trade Union Law in China, first passed in 1929, was revised three times in 1931, 1932 and 1933. During wartime, in 1943, a new Trade Union Law was promulgated, which introduced the principle of compulsory organization for labour as a means to facilitate wartime mobilization of manpower. This law, which applies to 'ordinary unions,' requires the organization of industrial unions for any group of over 50 workers, and of occupational unions for any group of over 30 workers. Special unions, in public utilities and other enterprises affecting public interest, are governed by a special legislation.

The end of the war has witnessed rapid growth in the number and membership of trade unions in China, since the principle of compulsory organization for labour under the Trade Union Law of 1943 has been extended to the large industrial areas reoccupied from Japan. Trade unions in China have grown from the pre-war (1944) total of 3,359 with a membership of 885,310 to the 1946 total of 6,355 with a membership of 2,046,710. By the end of November, 1947, the number of registered unions grew to 10,533, including 4 trade federations and 753 county and city federations whose membership was not included in order to avoid duplication. In 1946 ordinary unions had 1,393,216 members, or 68 per cent of the total membership, leaving the remaining 653,494 members or 32 per cent to the special unions. Occupational unions, the largest group, claimed 47.8 per cent of the total membership, with 9.1 per cent for industrial unions.

The 1947 amendments alter the earlier Act in that they permit the organization of national federations of trade unions, define the basic organization of trade unions, and, in principle,

accord the right to strike to all labourers, including public utility employees, and permit the payment of wages during the strikes. An industrial or occupational union may establish branches where there are more than three groups each consisting of from five to twenty members. The area of a trade union must conform with the administrative area of a hsien (county) or municipality and not more than one industrial and one occupational union may be formed in the same industrial establishment or locality. Workers of 16 years of age or over who are resident in the area must join the union for the industry in which they are employed. Federated organizations may be of four types: a hsien or municipal general trade union, a provincial general trade union, a national federation of industrial unions and a national federation of trade unions.

Hongkong: In Hongkong, the ancient guild is progressively yielding place to the modern union. The Trade Union and Trade Disputes Ordinance 1948 has put labour on a more modern basis.

In the past there was no marked difference between trade unions and other forms of association. Most societies, including trade unions, notify the Secretary for Chinese Affairs and furnish particulars of their formation. Since the re-occupation there were about 150 guilds classified as workers' unions, and 65 craft guilds of workers and employers. There was previously duplication in many trades which inevitably militated against the successful conduct of such a trade union function as collective bargaining. The Trade Union and Trade Disputes Ordinance distinguishes between trade unions and other types of voluntary associations. Those associations which by the nature of their constitution and object qualify for registration as trade unions acquire a legal status as registered trade unions. There is provision for amalgamation. The new Labour law promotes the consolidation of the growing trade union movement and helps to counteract the tendency towards an unnecessary multiplication of small unions.

Indo-China: Under the legislation in force in Indo-China, the organization of trade unions, properly so called, is not permissible, but workers' mutual aid associations may be established. Legislation on trade unions is prepared in Indo-China and discussed at meetings at which representatives of the governments of the associated states and of the private interests participate. Government employees have already formed trade unions.

Japan: Trade unionism in Japan revived under SCAP's encouragement. On 4th October, 1945, SCAP issued the important directive ordering the removal of restrictions on political and civil liberties, which was regarded as removing all hindrances to labour organization. This step, together with the dissolution on September 30, 1945, of the two wartime labour front organizations—Sangyo Hokoku Kai and Romu Kokoku Kai, was interpreted as granting full freedom to labour in organizational activities. The legal basis

for the new status of labour in Japan was provided by the Labour Union Law passed by the Diet on December 21st, 1945. Much of the early activities of SCAP's Labour Division was directed towards obtaining this legislation, and the draft of the law was approved by practically all shades of labour opinion. Although passed on 21st December, 1945, the Imperial Ordinance setting up procedural regulations was not promulgated until 27th February, 1946, effective 1st March, 1946. The Labour Union Law, which made labour history in Japan, guarantees the right to organize and to bargain collectively and recognizes the right to strike; laws and regulations infringing on the activities of labour unions are made invalid, and employers are forbidden to discharge workers for union activities; the registration of labour unions is required; the establishment of a system of Labour Relations Committees on national and ken levels provides for the mediation of disputes.

Labour unions began to revive shortly after the occupation began. By the end of October 1945 unions that had announced plans to reorganize were the Seamen's Union, the Tokyo Transport Workers' Union, the Tokyo Communications Workers' Union and the Tokyo Gas Workers' Union. Organizational activity was also noted among railway workers, fishermen, farmers and school teachers. Rapid progress in unionization was subsequently made. By February 1946, 675 unions with a total membership of 496,000 had registered with the Welfare Ministry. By 1st May, 1946, the number of registered unions had increased to 7,357 with a membership of 2,691,500. By September 1st, 1946, 13,622 labour unions, representing 3,936,815 workers, had been registered under the Trade Union Law. The return for 31st October, 1947, gives 25,896 unions with a total membership of 5,926,985 for Japan.

Along with the growth of local unions, three national federations have been formed. In August 1946 national federations were inaugurated by both wings of the labour movement. The National Federation of Labour Unions, claiming a membership of 955,000 workers, was closely affiliated with the Social Democratic Party. The more left-wing National Congress of Industrial Unions, claiming 1,630,000 workers, stressed its political independence, and adopted an eleven-point programme calling for a 40-hour week, an extensive social insurance system, and rehabilitation of the national economy. In October 1946, a third national federation—the All-Japan Council for Labour Unions—was organized under the auspices of the Democratic People's League. It was formed so that the independent unions not affiliated with the two major federations could obtain a voice in the nomination of candidates for the Central Labour Relations Committee. It had a comparatively small membership of 208 unions with about 300,000 workers.

In 1947, there had been a growing rift between the two right-wing federations—the National Federation and the All-Japan Council—on the one hand,

and the left-wing Congress on the other. This rift rendered attempts at merger of the three units futile, while accentuating their differences in economic policies and political ideologies. The Congress favoured merger around a programme of opposition to the Government's wage stabilization and employment rationalization policies, while the Federation and the Council preferred modified trial co-operation with the Government programme.

Korea: South Korea has two major labour unions—the Tai Han No Chong, an extreme rightist organization; and Chun Pyung, an extreme leftist organization. Both unions are young and inexperienced in dealing with labour matters and have many misconceptions concerning the functions of organized labour. The Tai Han No Chong has manifested an interest in learning healthy labour union practices and has been willing to co-operate. On the other hand, the Chun Pyung has failed to co-operate, has refused to appeal to the Mediation Board and also to participate in elections regarding the choice of proper bargaining agents. In December 1947, there were 193 reporting unions with 58,556 members in South Korea. This count is incomplete. The federations, Tai Han No Chong and Chun Pyung, claim 3,680 unions with 998,561 members.

Malaya and Singapore: During the period of Japanese occupation no opportunities existed for workers' groups to organize or to act collectively, and it was not until the liberation of Malaya that trade unions on modern lines began to be formed. During the early post-war period, incipient trade unions came into being, many of which went out of existence. Upon the resumption of civil government in April 1946 many groups continued to act and work collectively and to develop into large (General Labour) Unions which organized workers upon a geographical rather than upon an occupational or industrial basis. These unions enrolled not only individual members but also separate trade unions and covered such diverse occupations as trishaw and rickshaw pullers, artisans, estate and tin mine workers, coffee shop-keepers, barbers, dance hostesses, government employees, clerical workers, etc., all of whom were under the nominal control of the General Labour Unions, which established a Pan-Malayan Headquarters in Singapore covering the whole of Malaya and Singapore.

A Registrar of Trade Unions was appointed on 1st July, 1946, from which date it was decided to operate the Trade Union Enactment of 1941, and all trade unions in Malaya already in existence on that date, were called upon to apply for registration within three months, and all other trade unions to apply within one month of their formation. Up to the end of 1946, 83 of the 276 applications from the workmen's unions for registration had been registered, with a total membership of 67,452; while 154 applications had been approved leaving 39 applications outstanding. The racial ratios represented by the applying unions were Chinese 54 per cent, Indians 25 per cent,

Malays 1 per cent, and other races 20 per cent. In addition, many trade unions began to appear covering government employees. They were organized on a departmental basis, confined their membership to government staff, and banded together through a Joint Board of Secretaries to deal with matters of common interest.

In Singapore, an Ordinance to provide for the registration and supervision of trade unions was introduced in 1941, but could not be operated owing to the outbreak of the War. That Ordinance was made operative in May, 1946, and a Registrar of Trade Unions appointed to administer it. About 180 such unions gave notice of their intention to register.

Philippines: According to the Philippine Commonwealth Act No. 213, a trade union registered under the Act acquires the right of collective bargaining with employers. Before the Japanese invasion there were about 340 registered trade unions, with a membership of about 90,000, and there were about 190,000 workers in unregistered trade unions. During the war trade unions were outlawed, and after the liberation a fresh start had to be made. The first post-war year witnessed a rapid increase of union membership to 354,085, which was reduced to 32,689 in 1947. The reduction was due mainly to a lowering in the membership of 'miscellaneous' unions from 313,984 to 4,704.

Disputes: The post-war period has witnessed the resurgence of organized labour movement, which carries with it the powerful weapon of resorting to strikes when a dispute between capital and labour cannot be settled by mediation, conciliation or arbitration. The principal cause of disputes has been the failure of wages to be adjusted to the rising cost of living, although in some countries, especially Japan, dismissal of surplus labour in plants laid idle by shortages of materials has also figured as an important factor for disputes. Strikes are most effective in public utilities because their suspension of operation affects vitally the public interest. In many countries, workers in these enterprises were denied the right of strike during wartime. Now that the war is over, strikes in these enterprises are permitted only after failure of efforts at mediation, and with prior notification to the local authorities.

New legislation governing labour disputes has been passed in the major Far Eastern countries, including China and Japan. In China the Labour Disputes Settlement Act during the period of Civil Rebellion Suppression, passed on 28th October, 1947, provides for arbitration, and prohibits strikes, lockouts, or sabotage prior to arbitration by local arbitration committees. In Japan, certain categories of public servants are not allowed to strike, while public utility employees must appeal for mediation to the Labour Relations Committee, and cannot strike for 30 days after presentation of the appeal.

ECONOMIC PROGRESS IN BRITAIN DURING 1948

EXPANSION OF TRADE—INCREASE OF PRODUCTION—HIGHER INCOMES

In the second half of 1948 considerable progress was made towards bringing total overseas payments and receipts into balance. The total value of exports and re-exports for the year was £1,648 million and of imports £2,080 million, giving an apparent visible adverse balance of £432 million. The apparent deficit in the second half of the year was £181 million, compared with £251 million in the first half. There has been a marked fall in the adverse visible trade balance. It is clear that the position of an overall balance in overseas trade is being approached.

An overall balance of overseas earnings and expenditure would mean that enough goods and services—measured in sterling—were being produced and exported to balance all imports. Or, in other words, the United Kingdom would no longer be consuming more than it produced. But even when this state of overall balance is reached, there with remain within it the fundamental problem of the dollar deficit. For export surpluses with Europe and the Sterling Area cannot be used to cover the gap between dollar earnings and expenditure.

During the fourth quarter of last year the net gold and dollar deficit of the Sterling Area, before taking into account the amounts received under the European Recovery Programme, amounted to £93 million, compared with £76 million in the third quarter and £107 million in the second. Of this deficit of £93 million, £87 million was met by drawing on the reserves or from E.R.P. assistance. Dollars received during the fourth quarter from the Economic Co-operation Administration of the United States, in respect of expenditure in the fourth and earlier quarters, amounted to £107 million. As a result, the gold and dollar holdings, which were £522 million at the end of March and £437 million at the end of September, increased to £457 million at the end of December. If it were not for American aid, the gap between dollar earnings and expenditure could not continue. The major objective in 1949 must therefore be to reduce the deficit in this crucial sector of the balance of payments. The achievement of that objective calls for endeavours to earn more dollars, especially by pushing exports more vigorously to the Western Hemisphere.

Export Expansion

The volume of exports in December was 148 per cent. of 1938. This figure was only twice exceeded last year (in July and November)—and December was a short working month. After rising in 1947 to a level of 9 per cent. above the 1938 volume, exports in-

creased further to 30 per cent. above in the first half of 1948, and to 42 per cent. above in the second half—giving an average volume for the year of 36 per cent. above 1938. The following industrial groups reached or exceeded their end-1948 export targets: coal, machinery, vehicles, iron and steel manufactures, non-ferrous metals, cotton manufactures and food, drink and tobacco. Most of the other groups, consisting largely of manufactured consumer goods, failed to reach their targets.

There was little change in the geographical pattern of U.K. exports during 1948, and the proportion of exports going to the Western Hemisphere (16½ per cent.) remained below pre-war (17½ per cent.), though it was slightly higher than in 1947 (15½ per cent.). Nearly half of exports in 1948 went to the Sterling Area and over one-third to non-sterling non-dollar countries.

Restriction of Imports

Imports in 1948 were held down to over four-fifths of their 1938 volume. An analysis of their make-up reveals marked increases over 1947 in imports of animal feedstuffs, grain and flour, iron ore and scrap rubber, cotton, wool, paper-making materials, machinery and petroleum, but a reduction in imports of meat, timber and hides and skins. Imports of iron ore and scrap, rubber and petroleum were all very much higher last year than in 1938.

There seems no prospect that the U.K. will be able to make itself independent of outside aid in the next few years unless imports continue to be kept below their pre-war quantity. The U.K. Long-Term Programme, prepared in connection with E.R.P., envisages a volume of imports in 1952/3 still about 15 per cent. less than in 1938, and the achievement of balance in payments with dollar countries within four years depends upon carrying out this policy.

As they stand the programmes of the 19 countries taking part in E.R.P. together show a dollar deficit in 1952/53 amounting to £250 million. Western Europe will be unable in four years time to afford more than 85-90 per cent. of its pre-war volume of imports. Yet most countries have assumed—in contrast to the U.K.—that they will be able in 1952/53 to import more than before the war; France and Benelux, for instance, each envisages an increase of 7 per cent. above 1938 in the volume of imports from non-participating countries, Italy envisages a 37 per cent. increase and Western Germany a 14 per cent. increase.

U.K. restriction of imports is therefore an indispensable condition of attaining economic independence in four years time, and so is maintenance of

the volume of exports at a level roughly half as high again as before the war. To achieve this, to sell in dollar markets and to gain some limited increase in the standard of life at home, there must be substantial improvements in the volume and efficiency of production. Since such a great intensification of industrial activity involves a shift in the make-up of imports from food to industrial materials, improvements in present diet must depend upon the success of the agricultural expansion programme.

Key Problem for 1949

The balance of payments with hard currency countries is the outstanding external trade problem to be tackled during the present year. Trade with Canada, the U.S.A., Argentina, Belgium and Switzerland is of special importance. In 1948 Canada supplied three-quarters of U.K. imports of wheat and wheat flour; for bacon the proportion was the same, for shell eggs just under one-third, for dried eggs three-quarters, for non-ferrous metals and wood and timber each just over one-quarter. From the United States were obtained one-quarter of imported cheese, between one-fifth and one-sixth of raw cotton, nearly two-thirds of tobacco, virtually all sulphur and carbon black and two-thirds of machinery imports, including many indispensable items. In addition American-controlled companies provided a considerable proportion of U.K. petroleum imports. Argentina is mainly important to the United Kingdom as a supplier of meat (over one-quarter of 1948 imports, excluding bacon) and animal feeding-stuffs (over four-fifths of 1948 imports). Compared with imports from the Western Hemisphere, imports from Belgium and Switzerland are small, but they include some very valuable supplies—steel, flax, machinery and fertilisers from Belgium; raw cotton, copper, diamonds and coffee from the Belgian Congo; machine tools, textile and other machinery from Switzerland.

But exports to hard currency markets, while making encouraging headway in some fields, have not been expanding fast enough. Only with Canada has there been a steady rise quarter by quarter since the middle of 1947. Exports to Belgium and Switzerland have declined in recent months. Argentina is the only one of these countries which imposes severe import restrictions on British goods. In the others business opportunities are wide open to exporters—if they can seize them—but just because these are fully competitive markets, they are difficult. Quality, price and (for capital goods) delivery dates all count heavily. The United States is chief competitor in these markets, but in Belgium and Switzerland there is growing competition also from Germany.

Industrial Production

In every month of 1948 industrial production in the U.K. showed a notable increase over the corresponding

month of 1947. In October the index rose to 127 above the 1946 monthly average 27%. In November there was a further rise to 129. The index for manufacturing industries alone was 29 per cent. above 1946 in October and 32 per cent. above in November.

Since production in 1938 is estimated to have been roughly the same as in 1946, British industry is now turning out over one-quarter more goods than before the war. For comparison, industrial production in France and Belgium in the first half of 1948 was about 15 per cent. higher than in 1938, in the Netherlands 5-10 per cent. higher, in Norway 25-30 per cent. higher and in Sweden just over 40 per cent. higher. Western Germany, however, was at that time producing at under half its pre-war rate, though there has been a considerable improvement in the last six months as a result of currency reform.

It is not to be expected that production in the U.K. will continue to rise as fast as during the last three years. Now that reconversion is complete, slack capacity has been largely taken up and the total labour force is more or less stable, further improvement can only come from increases in productivity. If the index of manufacturing production in the U.K. for May-November, 1948, is compared with the same months of 1947, it appears that a rise of 7 per cent. took place between the two years. Over the same period employment in manufacturing industry increased by 2 per cent., suggesting an annual rate of improvement in productivity over the twelve months of about 5 per cent. The maintenance of such a rate in future, though perfectly possible, would call for the utmost vigour and resource, and even the 2½ per cent. annual improvement implicit in the Long-Term Programme cannot be taken for granted.

The total working population appears to be settling down at over 20 million. Numbers in civil employment in November were the highest ever—nearly 19½ million. Unemployment in early December was less than 328,000—little more than 1½ per cent. of the total industrial population.

The following are some of the salient facts about industrial production in 1948:—

Coal.—Total output of coal in 1948 missed the 211 million tons target by 2.6 million tons, just 1 per cent. Output was 6 per cent. above 1947.

Steel.—Output during the year was 14.88 million tons—2½ per cent. above the target and 19 per cent. above 1947. Supplies of scrap and coke are likely to be important factors limiting further expansion in 1949.

Textiles.—Total output of cotton yarn at 890.35 million lb. missed the 900 million lb. target by over 1 per cent. but was 26 per cent. above 1947. The target rate of 20 million lb. a week—the rate necessary to maintain supplies to the home market, while enabling the required increase in exports to take place—was not achieved.

Rayon output at 148 million lbs. was 24 per cent. above 1947 and was 1 per cent. below target. In the staple fibre section of the industry, where reorganisation has delayed expansion, the year's output was slightly above 1947 and was 22 per cent. short of the target of 165 million lb.

The output of worsted yarn and woollen cloth is unlikely to have reached the targets for the year. Yarn deliveries in the first eleven months

were at an annual rate of 182.4 million lb., compared with 155 million in 1947 and a target of 190 million. Cloth production was at an annual rate of 287 million yards, as against 232 million in 1947 and a target of 290 million.

Vehicles.—In the first eleven months production of passenger cars was at an annual rate of 335,000 (17 per cent. above 1947) and production of commercial vehicles was at a rate of 170,000 (10 per cent. above 1947). Production of railway coaches in the first ten months was at an annual rate of 1,423 (6 per cent. above 1947). The gross tonnage of tankers completed in 1948 was roughly 260,000 against the target of 175,000.

Machinery.—There was a general expansion in the machinery-making trades during 1948, the increase over 1947 being somewhat higher than the increase in 1947 over 1946.

Personal Incomes and Prices

The need to devote a large part of the national resources to manufacture for export and to capital equipment created an inflationary tendency, which would have slowed recovery by undermining the export drive and reducing the real value of incomes at home. Among the measures taken to offset this danger was the call made early in 1948 for a voluntary stabilisation of costs, prices and personal incomes. The success of this stabilisation policy during 1948 can now be appraised. While it has in part been successful, the need for it has in no way diminished, and continued restraint is as vital as ever.

In the ten months after the announcement of the stabilisation policy (March-December, 1948) 7 million work people received wage increases totalling £1,660,000 a week, but there was some decline in the rate of rise of the index of weekly wage rates. In the two quarters before the appeal for restraint the index rose two points per quarter. In the three quarters after the appeal it rose one point per quarter. There are, however, some important wage claims outstanding, notably those in agriculture, coal, brick manufacture, building, road passenger and port, and food manufacture.

Dividend declarations have on the whole been in line with the recommendation for stabilisation. In the eight months from April to November the capital of industrial companies which did not pay increased dividends amounted to 93 per cent. of the total capital involved; and some of the small minority which did vote increases were excluded from the recommendation to limit dividends.

There has been a marked slowing in the rise of retail prices. During the nine months March to November, 1948, the retail price index rose 3 points, compared with a 6 point rise during the nine months before March. In the quarter following the stabilisation appeal there was a 2 point rise, but after this the index remained steady until November, when it rose 1 point. The index for food prices alone rose considerably between autumn 1947 and spring 1948, but since then has been fairly stable. Most of the other retail price indices showed similar movements—a fairly rapid rise until the spring of 1948 and then relative stability. The exceptions were clothing, which rose 8 points in the three 1948

HONGKONG'S REVENUE & EXPENDITURE

The state of Hongkong's public finances is sound and very satisfactory. For the current fiscal year (the third after the liberation of the Colony) a total revenue balance of \$54 to \$55 million can be safely predicted. To judge by the record of the first 5 months of the fiscal year—April 1 to March 31—that is from April to August 1948, the annual surplus should be around \$17.6 million to which have to be added the surplus as at March 31, 1948 of \$37 m., thus probably resulting on March 31, 1949 into a revenue balance of \$54.6 m. Collections during the last few months have been high while expenditure remained according to schedule.

Revenue & expenditure for the first 5 months of fiscal year 1948/49:

Month	Revenue	Expenditure
April	15,094,971	12,684,195
May	11,130,217	11,183,658
June	14,040,504	11,495,494
July	16,715,173	15,552,207
August	12,283,780	11,007,161

69,264,647 61,922,717

Revenue balance: \$7,341,930, a monthly average of \$1,468,368.

For the corresponding 5 months of fiscal 1947/48 revenue amounted to \$52,244,785 and expenditure to \$39,956,084. Thus both revenue and expenditure in the current fiscal year have increased over the fiscal year 1947/48 by respectively 32.58% and 54.98%.

The estimate for the current fiscal year was \$151,407,950 revenue, and \$150,284,105 expenditure, expected to result in a surplus of \$1,123,855. On the basis of the first 5 months of fiscal 1948/49 the total revenue may come up to \$166 m. and total expenditure to \$148 m.; thus it would appear that revenue has been underestimated by about 10% and expenditure slightly overestimated.

In the previous fiscal year, 1947/48, revenue was considerably underestimated while expenditure was, in fact, also in excess of the official estimate:—

Fiscal year April 1, 1947 to March 31, 1948 (in million HK\$):

	Estimate	Actual
Revenue	109.8	164.3
Expenditure	109.7	127.7

The revenue surplus for fiscal 1947/48 was accordingly \$36,597,136.

From the first fiscal year (11 months only, from May 1, 1946 to March 31, 1947) after Hongkong's liberation, a surplus of \$487,435 was carried forward to the second post-war fiscal year. After deducting an amount of \$21.175 for depreciation of investments, the revenue balance of Hongkong at the opening of the current fiscal year, on April 1, 1948, was \$37,063,396.

quarters, mainly because of the removal of some subsidies, and drink and tobacco, which rose because of increased duties.

As a result of increased production there were some improvements in supplies of goods to the home market during 1948. Some shortages in the shops were overcome without increased supplies, and demand—rather than supply—became the most important factor in limiting consumption.

The revenue balance of Hongkong as at August 31, 1948 totalled \$44,405,326.

Hongkong's Revenue & Expenditure for the fiscal year 1947/48:

Revenue	\$
Duties	50,869,977.32
Assessed Taxes	9,984,659.55
Internal Revenue	38,696,205.28
Licences, Fines and Forfeitures	7,441,657.61
Fees of Court or Office, Payments for Specific Purposes, and Reimbursements	9,083,326.89
Water Revenue	5,667,227.78
Post Office	7,065,230.24
Kowloon-Canton Railway	6,370,859.04
Revenue from Land Rents, Properties and Investments	3,557,493.32
Miscellaneous Receipts	4,456,812.16
Total, (exclusive of Land Sales &c.)	143,193,449.15
Land Sales, (Premia on New Leases)	9,104,861.33
Grant by Imperial Government	12,000,000.00
Total	164,208,310.48

Expenditure	\$
His Excellency the Governor	240,573.75
Colonial Secretariat and Legislature	691,378.23
Audit Department	175,077.74
Charitable Services	199,395.77
Development Secretariat:—	
A. Directorate	54,122.94
B. Agriculture	196,719.90
C. Fisheries	71,737.05
D. Fisheries Research Station	12,532.55
E. Forestry	176,066.48
F. Gardens	169,722.56
Directorate of Air Services	254,589.54
District Office, North	150,835.83
South	113,260.08
Education Department	6,444,815.97
Fire Brigade	569,476.51

Harbour Department	3,368,156.09
Hong Kong Naval Volunteer Force	2,714.51
Hong Kong Volunteer Defence Corps	72,774.62
Imports & Exports Office	554,369.77
Inland Revenue Department	311,569.21
Judiciary:—	
A. Supreme Court	242,078.47
B. Magistracy, H.K.	92,835.04
C. " K'loon	63,312.53
Kowloon-Canton Railway	2,995,236.51
Labour Office	136,888.37
Legal Departments	308,813.87
Medical Department:—	
A. Medical Department	7,023,423.38
B. Relief Section	1,244,243.67
Miscellaneous Services	60,763,921.38
Pensions	5,922,335.96
Police Force	6,627,702.21
Post Office, Telecommunications and Broadcasting:—	
A. Post Office	1,668,269.86
B. Telecommunications	615,615.09
C. Broadcasting	201,632.20
Public Relations Office	56,022.63
Prisons Department	2,514,370.18
Public Debt	1,862,285.07
Public Works Department	2,487,870.35
Public Works Recurrent	6,234,821.79
Public Works Extraordinary	886,054.51
Royal Observatory	199,414.46
Sanitary Department	1,761,801.55
Secretariat for Chinese Affairs & District Watch Force:—	
A. Secretariat for Chinese Affairs	179,666.31
B. District Watch Force	52,709.43
Stores Department	8,175,982.59
Treasury, etc.	754,905.75
Supplies, Trade & Industry Department	680,734.27
Custodian of Property	118,637.48
Quartermaster Commandant's Office	—
Reparations Claims Office	—
Total	127,701,174.01

HONGKONG'S PUBLIC DEBT

Hongkong's funded public debt or loans borrowed for fixed periods as outstanding at March 31, 1948 amounted to \$70,046,000, viz. the 4% Conversion loan of 1933, amount outstanding \$4,838,000; 3½% Loan of 1934, outstanding \$6,720,000; 3½% Loan of 1940, outstanding \$8,488,000; and 3½% Rehabilitation loan 1973/78, floated in 1948, outstanding \$50 million.

(Repayment of 3½% Loan of 1934: annually at the rate 1/25th of total nominal value of \$14 m. of bonds issued. Repayment of 3½% Loan of 1940: as above, of total nominal value of \$11,790,000 of bonds issued. Repayment of 3½% Rehabilitation Loan: by sinking fund, at the rate of not less than 1% per year as from first instalment, July 15, 1948).

Government is authorised to float another \$100 m. of the 3½% Rehabilitation Loan, only one instalment of \$50 m. having been issued at the beginning of 1948. However, on account of the ample and steadily increasing revenue balance of Government and the considerable floating balances at the disposal of Government from direct trading (Dept. S.T. & I. in charge), the flotation of a second instalment has been delayed as no funds were required so far.

Expenditure of money for rehabilitation and other works to be covered by the Rehabilitation Loan has amounted to \$57,269,913 as at March 31, 1948 (namely \$30,360,746 for the fiscal year 1946/47, and \$26,909,166 for fiscal year 1947/48). For the current fiscal year total expenditure

was estimated at \$61,963,255, thus by the end of the current fiscal year—March 31, 1949—total expenditure of Loan funds should amount to \$119,233,168.

As \$50 m. have been floated as the first instalment and the revenue surplus is expected to exceed on March 31, 1949 an amount of 50 m. there will be no need to issue another portion of the Rehabilitation Loan; the so-called floating balance of Dept. S.T. & I. is unknown to the public but believed to be substantial so as to cover Government expenditure for financing rehabilitation works.

In fiscal year 1949/1950 the rest amount of about \$30 m. of the Loan will be apportioned and it may therefore appear necessary to issue, sometime in the autumn of this year, a second instalment of the Rehabilitation

Loan. Revenue surplus may be confidently expected to increase over the current high level or to remain, at worst, stationary; but the S.T. & I. balances are bound to decrease and, in fact, have considerably declined from their peak, a consequence of reduced Government trading and procurement of commodities.

That Hongkong has only a public debt of \$70 m. is a further indication of the financial soundness of the Colony, the high earning power of the community and the adequate level of tax and duty collections. Although Hongkong is a free port and therefore does not collect customs duties (but a few commodity groups are subject to revenue duty and excise tax) while the rate at which income tax is collected is the lowest in the world, the revenue of Government is buoyant and more than adequate to maintain an efficient administration.

mand from South China ports, especially Swatow and Amoy (for transshipment into the interior), and from Taiwan is strong.

Taipei is now another centre of gold trading but the native population, being small, provides only a very limited market; however, the recent heavy arrivals of political and military personages with large retinues and an estimated 100,000 "mainlanders" (mostly from Shanghai) have created an additional market. With the inability to engage in any productive business in Taiwan, the new arrivals are actively engaged in speculation but since they brought with them big lots of gold there cannot be expected to be a great need for fresh imports from Hongkong or Macao. Taiwan has already been picked by the "mainlanders" under the notorious military governor Chen Yih and the time of big spoils is over.

REHABILITATION LOAN EXPENDITURE

	Allocation of funds	Actual expenditure up to March 31, 1948	Estimate 1948/49
(1)—Agriculture, forestry, and gardens	1,470,000	1,066,925	136,917
(2)—Air and meteorological services	310,000	74,380	233,398
(3)—Buildings	35,175,000	10,884,802	21,781,431
(4)—Claims and compensation	30,500,000	23,560,317	6,919,682
(5)—Education	7,210,000	1,885,875	4,589,268
(6)—Harbour facilities	5,450,000	3,076,822	2,193,174
(7)—Medical Services	1,715,000	1,470,241	171,271
(8)—Miscellaneous	8,500,000	4,414,518	2,226,003
(9)—Public works	30,270,000	6,880,187	17,927,752
(10)—Railway	24,400,000	2,285,520	2,474,687
(11)—Waterworks	5,000,000	1,670,322	3,219,672
Total	150,000,000	57,269,913	61,963,255

Trading Position:—

Total cash bars turned over during the week under review, officially 15,020 taels and unofficially 31,600 taels. Over 5,000 taels consumed by local ornamental requirements. Exports totalled over 40,000 taels, with details as follows:—Shanghai 16,500 taels, Canton 9,500 taels, Amoy 1,500 taels, Taiwan 2,500 taels, Swatow 1,000 taels, Saigon 1,000 taels, Haiphong 1,000 taels, Singapore 2,000 taels, Bangkok 3,000 taels, and India 2,000 taels.

Arrivals in Macao were continuous. Export to Canton was proceeding daily with the "semi-official" gold refinery working overtime. About 25,000 taels imported into Hongkong from Macao. Stocks in the Portuguese Colony are large.

Trading Reports for the Week:—

Monday, Feb. 14:—Opening & closing rates \$302—305½. On the fictitious forward market the change over favoured buyers at the interest rate of 1 H.K. cent per tael per day. Throughout the week the change over rates continued in favour of buyers. The opening rate of 302 was the lowest of the week. On reports that the free market for gold in China will be legalised, rates began to gain.

Tuesday, Feb. 15:—Opening & closing 305½—307½. Change over 17 cents. Export demands for cash bars were heavy, bears had to pay higher change over and forced to liquidate.

Wednesday, Feb. 16:—Opening and closing 307¼—306¾. Change over 14 cents. Cash bar demands still not met with deliveries; highest of the week 309 touched. With bearish report that Mexico may lower gold export tax and large arrivals in Macao, rates reacted.

Thursday, Feb. 17:—Opening & closing 306¾—307. Change over 14 cents. Tradings heavy but fluctuations limited.

Friday, Feb. 18:—Opening & closing 306½—306¾. Change over 3 cents. market ruled featureless.

Saturday, Feb. 19:—Opening & closing 306—306½. Change over 8 cents. Continued quiet and tradings reduced. In the unofficial afternoon market some business done at 305¾.

EXCHANGE & FINANCIAL MARKETS

US\$ Market

Traders are holding back with new orders from the US as hopes are increasing for a price recession; as stocks here are large and new orders from dealers and merchants upcountry have been on the decrease since the beginning of this month there appears to be no hurry for entering new engagements. On the other hand adequate supplies are now on offer from sterling area countries with the exception of few scarce items, particularly construction steel.

Gold importers sustain the rate as continuous imports into China, via Macao, are carried on. Overseas Chinese family remittances have petered out but are expected to rise again in about one month when the Chinese Easter holidays are approaching. Exporters' free proceeds in New York were on offer as shipments to the US and the Philippines have been strong during the recent past. In January total exports to US and Manila valued

HK\$24½ million most of which amount is freely retained by exporters. Another conspicuous seller is Bangkok; merchants and speculators from Siam have been selling in Hongkong during recent weeks larger amounts both of TT and DD.

Last week's highest & lowest rates: note HK\$516¼—512½; DD 516½—514; TT 519—517, corresponding to crosses of US\$3.082—3.094. On the average the unofficial rate was US\$19.305 constituting a discount on the official rate of 22.78%.

Gold Market

Highest & lowest rates per tael \$309—302 (crosses US\$48—49), per oz on the average \$250/52. Macao slightly cheaper as transport fees (Macao-Hongkong) are included in the local price. Overseas supply ample at unchanged quotations. In China cross rates from 49 to 55; irregular trading conditions continue in most cities but in Shanghai—and, of course, in Canton—the market is practically free. De-

Chinese Currency Markets

Hongkong highest & lowest rates, in HK\$ per 1,000 yuan:—spot notes 3.07—1.92; TT Shanghai 3.05—2.05; TT Canton 2.75—2.00.

The scrip of the Central Bank of China did not decline as spectacularly as during preceding weeks on account of large sales by Shanghai of state-owned cotton goods; there was stringent tightness of money in Shanghai and leading cities in South China; renewed hopes for a settlement without further war were influencing financial circles to go slow on hoarding; and there was the usual reaction noticeable after prolonged decline in the purchasing value of the yuan as commodity prices advanced much farther than was justified by the constant printing of more yuan notes.

Shanghai unofficial rates, in yuan:—gold per oz 118,000—82,000; US notes 2,300—1,500 (with TT some 5% higher); HK notes 450—295. Gold crosses from 50—55; HK\$ crosses 19¼—20. Export certificate clearance rate from yuan 1,000 to 1,600.

Central Bank was operating in the black market by selling gold at peak rates thus contracting the yuan issue to some extent; but of the once large gold stocks of the Central Bank very little remains in the Shanghai vaults as most of gold as well as other hard assets (silver and foreign currencies) have been removed several weeks ago to Taiwan and, to a lesser extent, to Canton. Central Bank "gold bonds" were issued with the usual promise of redemption — which nobody believes. For the purpose of selling them to an unsuspecting public the Stock Exchange of Shanghai, after being forced to close down last August 19, was permitted to reopen for specified transactions only, i.e. dumping of the new type of "gold bonds."

Canton unofficial rates, in yuan:—HK notes 423—355; TT Hongkong 500—363.

All payments in Canton are now openly made in HK\$, the public refusing generally to deal with the entirely discredited "gold" yuan. HK notes circulate freely, from the smallest to the biggest denomination. Hongkong thus provides Canton and a large part of Kwangtung with a stable currency, a matter which is widely appreciated in South China. Economic life, therefore, is carried on with a greater sense of security than elsewhere in China. The existence of Hongkong as a British Colony once again proves of inestimable value to the Chinese people.

conversions are permitted. By Feb. 15 the total conversion in Peiping amounted to 750 million "gold" yuan of which 350 m. were exchanged at the rate of 10 to one People's Bank yuan and 400 m. at the preferential rate of 3 to 1. As the People's Bank is now in possession of large amounts of the former legal tender issued by the Central Bank of China and may use this scrip for making purchases in Kuomintang controlled areas, it has been the policy of the Nanking authorities to cause heavier depreciation of the "gold" yuan by inflating it beyond the necessities of the moment. However, policies made these days are not uniform; thus while in Nanking the over-inflation is advocated, in Shanghai the Central Bank sold some gold which lent support to the yuan.

Several Hongkong banks were accepting money for transfer to Peiping and Tientsin and inward remittances from the North were already received here. Transfers have to be routed for the moment via Shanghai where banks quote a day-to-day rate for People's Bank notes. On the unofficial exchange market of Hongkong holders of People's Bank money can convert it into foreign exchange. The operation of the unofficial exchange and gold market is expected to be officially permitted within a week. Anyway, with or without official sanction the markets operate smoothly.

Silver Market

Overseas prices improved slightly. New York advanced to 71½ cts., and local demand by exporters brought the price up from \$3.12 to 3.18 per oz. Highest & lowest prices, per tael, \$3.87—3.80, per dollar coin of local and Mexican mint \$2.55—2.53, per dollar coin of Chinese mint \$4.00—3.40, per 20 cts. coins \$1.90—1.87. Demand in Shanghai for dollar coins (Yuan Shih-kai and Sun Yat-sen) continued and prices paid were in excess of silver contents; circulation of silver dollars in both areas of China is increasing. There is no justification for the current high price of silver dollars in Shanghai and elsewhere in China—anything paid over HK\$2.60 per one Chinese silver dollar is unreasonable.

Imports from China of silver in ingots brisk but exporters took up what was on offer. Trade with Taiwan is improving with coins coming from there being shipped to Shanghai and Canton. Recorded imports of silver from Korea are expanding; last week over 20,000 taels of scrap silver arrived from Korea. Merchants who bring

Bank of Taiwan yen notes again appreciated officially in terms of "gold" yuan; last week's closing rate was 17 Taiwan yen per 1 "gold" yuan; unofficial business was done at 14½ to 15.

The People's Bank of China has issued its notes in Peiping and Tientsin in lieu of the "gold" yuan which has been retired; after February 22 no further

HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

February	Gold per tael		Silver per tael	Per One Notes		Thousand Chinese Yuan		T.T. Canton		U.S. Dollar	
	High	Low		High	Low	T.T. Shanghai High	Low	High	Low	Note	T.T. New York Draft High Low
14	306¾	302	3.80	3.02	2.70	3.00	2.70	2.75	2.35	5.15	5.16 5.19 5.18½
15	309	304¾	3.82	3.07	2.50	3.05	2.45	2.65	2.25	5.15	5.16 5.18¾ 5.18¼
16	308¼	305½	3.85	2.45	2.00	2.35	2.15	2.25	2.00	5.15	5.16 5.18½ 5.17
17	307½	305½	3.87	2.17	1.92	2.45	2.05	2.23	2.00	5.12	5.15 5.18 5.17½
18	308½	305¾	3.86	2.35	2.07	2.32	2.17	2.25	2.15	5.14	5.15 5.18 5.17
19	306½	305¼	3.87	2.65	2.25	2.65	2.26	2.35	2.15	5.13	5.14 5.17½ 5.17

this silver to Hongkong bartered it for merchandise in Korean ports.

Platinum: New plates from Japan arrived here with sellers asking for \$425 per tael and buyers bidding 410. Unrecorded trade with Japan continues unchecked and platinum from Japan is one of the items which is exchanged by traders for Hongkong's pharmaceuticals and chemicals etc. London stamped platinum is at present not on the market although stocks here are adequate to supply possible China demand.

Bank Note Markets

Bank of England notes sold around \$15¼, travellers being the customers. Canadian \$ notes were transacted between \$4.51/4.54 with more sellers. Indian rupees remain at a low of \$100/101 as Pakistan merchants have flooded the market with bank notes. Burma and Ceylon rupees unchanged at respectively \$80 and 100. Malayan \$ weak at \$1.81 to 1.81½ as merchants have been bringing here larger lots. Peso notes were selling from 248½—251¼. Baht notes firmed up to \$25 from 24¼ as demand from merchants and travellers increased. Nica guilders were neglected and holders liquidated; rates from \$30.80 to 32.80. Pistre notes regained some lost ground on improvement of franc in Paris with support from local merchants; rates from \$8.17½—8.82½.

* * *

THE U.S. ECONOMY IN RETROSPECT AND OUTLOOK FOR 1949

Reviewing business conditions in the U.S. last year and trying to outline the shape of economic things to come, the National City Bank of New York, in its monthly letter, states that 1948 has been by any measure the busiest year in America's peacetime history. More people have been at work, the industries have turned out more goods, and the farms have produced larger crops than ever before. The Federal Reserve Board's index of industrial production has averaged about 192 (1935-39=100), an increase of 3 per cent over 1947, the previous peacetime record year. Crop production has been 9 per cent above the previous peak in 1946. The output of animal products has been a little lower, reflecting the short feed crops of 1947, but the abundant feed supplies now on hand are already increasing poultry, dairy and meat production again.

It follows from these facts that the general standard of living is also the highest in history. Many people, finding retail prices and the cost of living oppressively high, may question that conclusion. But the measure of economic welfare is the physical volume of goods produced and consumed, and by that test the country has never had so much to enjoy. The other side of high prices is high money incomes. Personal incomes in 1948 have totaled some \$212 billion, 8½ per cent above the 1947 record. Consumers' expenditures have exceeded 1947 by 7 per cent.

The dollar totals of investment in plant and equipment by the industries,

and of expenditures on housing and other private and public construction, have been the largest ever reached. In some cases the physical output represented by the dollars has been less than in one or two earlier years. But in many other cases physical records also have been set. Thus people have not only been living well, but the real wealth stored up through additions and improvements to productive facilities and in stocks of durable goods has been increased probably more than in any previous year. Expanded and improved productive facilities lay the foundation for future gains in living standards, provided the work and co-operation needed to make the most of them are forthcoming.

Many people doubted, at the beginning of 1948, that the year would turn out as well as it has. Some had looked for a slackening even in 1947, and when 1947 closed at record levels they felt that the boom could not possibly last far into 1948. Others were impressed by declining bond prices and evidence of tightening credit at the end of 1947. They felt that the money was running out and that the boom would end for lack of lending to finance it.

In fact, the boom has run out in specific lines. Cotton goods, shoe and clothing people have had problems of weakening demand almost throughout the year. Producers of a good many things, including luxury goods and services, have seen buying shift away from them toward other outlets. Buyers' markets and the competition that goes with them have returned.

In the overall situation, however, it is seen in retrospect that the anxieties felt twelve months ago were at least premature and in some respects unfounded. The weaknesses which aroused apprehension have had less influence on the year's business than the strong points and the supporting factors. Demands on the industries have been not only large enough to keep industrial labour and materials fully employed, in the aggregate; they have been so strong as to keep up inflationary pressures during most of the year. The money has not run out. On the contrary, money has continued available to good borrowers at rates and terms historically low, and expenditures have been financed readily. Security issues to raise new money totaled over \$8 billion in the first 11 months of 1948 compared with \$6½ billion a year ago. New savings available for investment during the year have been supplemented by the proceeds of sales of government securities to the Federal Reserve Banks. The influence of the Federal Reserve pegs on governments in keeping the inflation going was one of the factors in the 1948 outlook whose importance was not sufficiently recognized at the beginning of the year.

The foregoing is retrospective. Turning to 1949, any poll of opinions on the outlook would probably show that doubts are more widespread now than they were a year ago. For this there are two main reasons. In part, the uncertainty repeats the feeling of last year, now stronger because more time has passed, that "catching up," plus maladjustments and weaknesses, must

end the boom. The second main reason is the prevalent fear that government policies in the coming year will weaken the will and ability of business to make capital expenditures.

In fact the business situation is a complex mixture of deflationary influences. Most current evidence, including the price trend, indicates that the inflationary forces have weakened.

Underlying the change in current reports are both sentimental and tangible factors. The psychological element shows itself in efforts, both in industry and trade, to reduce inventories and shorten commitments. Consumers seem more ready and able to wait for lower prices. The tangible factors include the filling up of pipelines and catching up with deferred wants. They include the effects of inflation in reducing the buying power of people with fixed or lagging incomes.

In the broad sense it appears that the primary inflationary force, which was the wartime expansion in the money supply, has finally been absorbed by the combination of increased production and higher prices. Frewar relationships between the money supply and the value of the country's production are now approximately re-established. The inflationary pressure, insofar as it results from a superabundance of money, therefore appears to be wearing itself out.

On the other hand, it would be hard to find evidence that an active deflation or liquidation is setting in. In many and very important lines backlogs of orders are still heavy. Buyers are still crying for more steel and more of the non-ferrous metals. If demand for the latter should ease, the Government would fill the void by purchases for its stockpile. By all signs the producers of at least the lower-priced automobiles will be able to sell in 1949 all the cars they can make; and they plan to make more than they did in 1948, which signifies that they will want more materials and take up slack which may develop from other buyers.

The export outlook is for a continuation of shipments around the current level of about a billion dollars a month, or very little below it, because of the stabilizing influence of the Marshall plan shipments. Only about 40 per cent of the \$2.2 billion of American goods authorized for purchase under E.C.A. through November had then been shipped. The percentage of industrial goods, compared to agricultural products, in the authorizations continues to rise.

Underneath the business structure is the supporting influence of a strong financial situation. Corporate and personal debts rose further during the year, but it seems correct to say, as was the case a year ago, that ratios of debt to net worth are not in general a cause of concern. There is no money stringency, such as has heralded previous periods of liquidation and depression. On the contrary, the unprecedented liquid assets in the form of cash, short-term government securities and redeemable savings bonds are a source of strength. The rate of saving has risen.

In 1949 the Government will be pouring out more money into the hands of

people, and taking less away from them. In the first half of 1948 the Federal Treasury took in \$7.6 billion more than it paid out, and used the money principally to pay off government debt held in the banking system. This was deflationary, although it caused no business setback. In the first half of 1949 it is doubtful that the cash surplus will be as much as one-third of the 1948 figure. The difference in part is lower taxes, in part larger Treasury expenditures, of which the armament orders reaching various industries are visible evidence.

To many it will seem that the net of the possible minus change from 1948 in business expenditures, construction and the export surplus, and the plus change in government transactions, will show no considerable balance on either side. This leaves open the question of inventory changes and consumer expenditures, in, which psychology, or the will to spend, enters largely. The influential factor is what people think of the future, and government policies and unpredictable events will affect their feelings.

On one aspect of the outlook general agreement may be reached. It is that buyers' markets and competitive conditions will prevail in 1949 over a greater part of the economy than in any year since the war began. Such a change, although it implies a test of weaker enterprises, is inevitable and salutary. It will promote efficiency in the economic organization and give some relief to the people hard pressed by inflation. It is altogether desirable that some of the fever which has characterized business at times during 1948 should pass out of the situation, and that adjustments should take place while the supporting factors are so strong.

DECLINING PRICE TREND IN THE U.S.A.

During recent weeks prices in the U.S. and in other industrial countries have shown definite weakness and talks about the "bust" in America are frequently heard. In its latest report on the price situation in the U.S. in 1948, the Federal Reserve Bank of New York also ventures to outline probable conditions in 1949. The Bank's report follows.

At the end of 1948, the over-all level of wholesale prices was slightly lower than that which prevailed at the start of the year, making 1948 the first year since 1938 in which wholesale prices failed to show a net advance. The U.S. Bureau of Labor Statistics' weekly index of wholesale prices was 163.5 per cent of the 1926 average in the week ended December 28, compared with 164.5 for the last week of 1947 and the all-time high of 169.7 set in the week ended August 17, 1948. The year's net decline in prices was not, however, a general one; instead it was mainly a drop in prices of farm products and foods which offset the continued firmness in prices of other commodities.

At the end of 1948, farm products as a whole were selling at about 13

per cent below the peak reached near the start of the year. The course of farm prices during the year was characterized by the divergence between the price movements of grains and other crops, on the one hand, and those of livestock and livestock products, on the other. Grain prices broke sharply in late January and early February, dropping 20 per cent in four weeks. There was a partial recovery in March and April, but, as the new crops reached the market, grain prices started a steady downward movement which persisted until, by mid-October, all grains except rice were at or below the level (90 per cent of parity) at which Government supports generally become operative. The record size of some crops and near-record size of others caused a shortage of approved storage facilities, which forced some farmers to sell their grain below the prices at which the Government would make loans on properly stored grain.

Wheat prices, which at one time in Kansas City were 17 cents below the support price equivalent, strengthened as harvesting was completed and heavy exports relieved some of the pressure on storage space. During most of November and December, wheat prices were as much as 10 cents above support levels. The margin by which price must exceed support levels to make it profitable for a farmer to repay a gain loan increases with the passage of time. It is estimated that approximately 16 cents per bushel above support prices are required to pay principal, interest, and storage charge on a wheat loan which has run for six months.

Corn prices dropped sharply in September and October, and at election time hit a low of \$1.35 per bushel at Chicago, or about 20 cents below the support level. By late December, corn prices had risen about 14 cents, but the problem of adequate storage was still acute.

Cotton prices followed somewhat the same pattern as that of grains, with a peak early in the year, a sharp drop to less than support levels when the new crop came on the market, and a subsequent partial recovery in the latter part of the year. The recent increase has been spurred by improved export prospects, the large proportion of the crop going into loan, and the emergency program for advances on farm-stored cotton instituted by the Department of Agriculture to protect farmers against the necessity of selling below loan levels.

One interesting result of the downward movement in grain prices has been the narrowing of the gap between prices for near and distant future delivery contracts on the major grain exchanges. In the case of wheat, the gap narrowed by the end of 1948 to approximately one-half what it had been a year earlier, while for corn and oats the price differential was only about one third of the margin prevailing a year earlier.

The abundant supply and lower cost of feed are expected to promote increased supplies and lower prices of livestock and meats by late 1949. Until the last few months of 1948, however,

the low livestock population and the large consumer demand at high income levels had pushed meat prices to new peaks. During the spring, livestock and meat prices had fallen together with grain prices. Later, when livestock prices were depressed because labour-management disputes had reduced the meatpacking industry's ability to absorb the livestock brought to market, meat remained relatively scarce and high-priced. During the summer and early fall, both meat and livestock prices reached new peaks. As the fall marketing season got under way, prices declined appreciably, but they still remained well above parity levels. The decline, which exceeded normal seasonal expectations, reflects to some extent consumer resistance to high prices; meat consumption per person in the fourth quarter of 1948 will prove to have been about two pounds less than the 40.8 pounds per capita consumed in the last quarter of 1947. Livestock and meat prices are expected to rise seasonally in the next few months; ordinarily hog prices increase about 15 per cent between December and March, while beef cattle rise about 7 per cent in the same period. After that time, however, livestock should be more plentiful as the new pig crops, fattened on lower-priced corn, come on the market.

Prices of commodities other than farm products and foods during 1948 were, as a group, remarkably steady. Except for the rise around mid-year, reflecting the third round of wage increases and higher raw material costs, there has been little fluctuation in the weekly index of these prices. The main sustaining factor in this group has been metals and metal products. Demand for nearly all types of metals is still in excess of supply, and metal prices moved upward substantially during the year. There has been no increase in basic steel prices since July, but charges for "extras" (special grades and shapes of steel) were boosted substantially in recent weeks. An increase of about 10 per cent in tin plate prices, effective January 1, was also announced recently. Among the nonferrous metals, lead, zinc, aluminum, mercury, and cadmium all advanced in price during the final quarter of 1948.

The next greatest year-to-year gain was registered by the fuel and lighting material group. The average for this group is, however, still one of the lowest relative to the base period. Most of the gain in fuel and lighting material prices during 1948 occurred in the first seven months of the year, when coal and petroleum prices rose. Since then the index has remained quite stable, although recently reductions have been made in some prices for crude oil and petroleum products. The building material group was the only other major category to show a year-to-year advance in prices, and here too the increase was arrested in the latter part of the year, chiefly as a result of a softening in lumber prices. Prices of textile products, another component, have in some cases declined very sharply; spot prices of certain cotton yarns and fabrics are down close to, or even below, the levels prevailing immediately

HONGKONG STOCK & SHARE MARKET

The weak trend continues while company reports and dividend payments continue to satisfy shareholders. The feeling of uncertainty is however noticeable among investors. Reports from London and New York indicate a weak trend as well. There is as yet no

ly before OPA controls were lifted in November 1946. Nevertheless, the textile product group as a whole had declined only 4 per cent by the end of 1948 from its June 1 peak.

Retail prices at the end of 1948 were somewhat higher than a year earlier, but the peak for 1948 had been reached in August. Retail food prices declined during September, October, and November, and it seems likely that the decline continued into December. The sharp drops in grain prices have not yet resulted in similar declines in grain products at the retail level, in large part because of higher processing costs, but prices of meat, butter, and eggs have recently reflected the declines at wholesale of livestock and products. On the whole, the other commodities—apparel, housefurnishings, fuel, and miscellaneous—continued to increase. Near the end of the year, however, the relatively poor sales showing of department stores and other retail outlets increased the pressure for lower-priced consumers' goods, particularly apparel. The number of promotions in soft goods lines appears to be increasing, and special discounts and trade-ins are reported to be more prevalent for major appliances; such developments are ordinarily not fully reflected in official price indexes. Lower cotton textile prices will also be instrumental in reducing apparel prices for the coming season. To some extent, a decline in consumers' prices from this direction may be offset in the next few months by the seasonal rise in meat prices noted earlier. There have also been requests for increases in utility rates, freight rates, and railway passenger and commutation fares, while pressure for upward adjustment of rent ceilings likewise persists.

At the beginning of 1949, there seem to be definite signs of weakness in the price structure. Although similar signs appeared to a greater or less extent near the start of 1947 and 1948, this time the durable goods lines as well as the non-durables are affected. Only in the case of goods for which demand is still well in excess for supply, such as basic metals and new lower-priced passenger cars, is there continued upward pressure on prices, and even in these lines open and concealed premiums are of considerably less importance than they were a year ago. Despite the weakening of inflationary pressures, however, there are sustaining factors in the situation such as relative absence to date of speculative inventory accumulation, the prospect of large Government expenditures on defense and foreign relief, and the existence of a support program which should prevent any considerable further decline in farm prices.

incentive for larger buying which alone would bring up prices from their present depression. It appears that flight capital from outports is not interested in the local share market. Conservative investors are few and far between.

Last week's Stock Exchange report is as follows:—Business was at a very low ebb. There may perhaps be latent buying power. In any case it was essentially a buyers market. Any demands were filled, whereupon buyers, on dropping their prices, again found supplies were ready to hand. It was a wonder that the prices of the more popular stocks did not give way more than they did. Shanghai shares showed a degree of firmness in strong contrast to local shares.

Volume of Business: Total sales reported amounted to 63,857 shares of an approximate value of one million, a decrease of about \$1 million compared with the preceding week.

Price Index: The Felix Ellis averages based on the closing prices of twelve active representative local stocks closed at a new low for the year of 135.70 for a net loss of 1.59 compared with the close of the previous week. Day-by-day his averages were: Feb. 14, 136.81; Feb. 15, 136.31; Feb. 16, Unchanged; Feb. 17, 136.04; Feb. 18, 135.70:

	High	Low
1947	155.82	123.88
1948	148.68	134.05
1949	138.37	135.70

Dividends:

The Directors of the Hongkong Electric Co., Ltd. have declared a final dividend of \$1.70 less tax, making with the interim dividend of 80 cts less tax, a total of \$2.25 per share net for the year.

The Directors of China Provident Loan & Mortgage Co. Ltd. have declared a dividend of 75 cts per share net and a bonus of 65 cts per share net.

Business Done:

H.K. Govt. Loans: H.K. Govt. 3½% (1934 & 1940) @ 101½.

Banks: H.K. Banks @ 1780 XD.

Insurance: Unions @ 720, 710; China Underwriters @ 530.

Docks & Godowns: H.K. & K. Wharves Old @ 138, 137½ and New @ 130. H.K. Docks @ 26½, 26; S'hai Docks @ 11¼, 12, 12¼.

Hotels & Lands: H.K. Hotels @ 15.80, 15.70, 15½; Lands @ 55; S'hai Lands @ 3.70, 3.80, 3.60, 3.90, 3.80, 3.75; Humphreys @ 14½; H.K. Realty @ 2. Utilities: H.K. Tramways @ 20, 19.90; China Lights Old @ 15, 14.80, 14.60; 14.80; H.K. Electrics @ 38.75, 39, 38½, 38, 37¼, 38½.

Industrials: Cements @ 40, 39, 36; Watsons Old @ 52, 54, 53½.

Stores: Sinceres @ 6.80, 6.90; China Emporium @ 11, Kwong Sang Hong @ 140, 142; Sun Co. Ltd. @ 3.30; China Entertainments @ 39.

Cottons: Ewos @ 8.90, 9½, 9.70, 10, 10½, 11.

Stock & Share Business in Shanghai

Since the ill-fated "Economic Reform" measures of the Nanking Govt. on August 19, 1948, were decreed, the operation of the Share Market in Shanghai—the only one in China—has been declared illegal and business was, and remains, suspended. After many months of black market business having been conducted the Shanghai Securities Exchange is now expected to be permitted to carry on again openly.

Except for a short period of serious official terror, in September and part of October 1948, when Chiang Ching-kuo and his youth corps "controlled" in their own peculiar way the underground markets of Shanghai, trading in shares and bonds was not interrupted. Unofficial quotations are regularly published though not in the daily papers and brokers are conducting business in their offices without any official hindrance. Since the collapse of the Nanking Govt. i.e. since Chiang Kai-shek went into retirement, black markets have reappeared without any concern for official sanctions. In fact, the rump authorities are directly interested in the operation of the share market and other black financial markets.

The main counters remain foreign shares, that is the shares in various British companies either with properties in China or with a larger number of shareholders still residing in Shanghai. Favourites are those shares which are quoted in Hongkong or which find a ready market outside China. There will be no change in the share market situation in case of resumption of permitted business as during recent weeks the market has been doing business exactly as under legal permission.

Shanghai Share Market

Before the War, there were two exchanges dealing in securities in Shanghai; the Shanghai China Merchants' Stock Exchange which was owned and operated by Chinese; and Shanghai Stock Exchange which was organized by foreign business men. Both closed during the Japanese occupation but a thriving black market was doing business. The Chinese Exchange was later in 1944 permitted to operate openly. The present institution, The Shanghai Securities Exchange, was organized by order of the Executive Yuan in May, 1946. It is privately owned and managed, and is the only exchange dealing in stocks and bonds in Shanghai. It opened for business on September 16, 1946.

Brokers for the Exchange are divided into individual brokers and corporations. Up to the end of 1947, 245 brokers were authorized by the Ministries of Finance and of Economic Affairs. During the time the Exchange has been in operation 31 of the licensed brokers voluntarily relinquished their licences, while another 4 had their licences revoked by the authorities. At the end of 1947 there were

210 brokers, of whom 160 were individuals the other 50 corporations.

The scope of operations includes dealings in Government Bonds, Corporation Debentures, and Stocks, on a spot or future basis. Up to the end of 1947, only 32 Stocks were admitted for transaction on the Exchange, no Government Bonds or Corporation Debentures were listed. The total number of shares listed on the Exchange was 29,533 million. According to the last closing quotations at the end of 1947, the total value of these shares amounted to CN\$7,078 billion, the average market value per share being about CN\$240. (Unofficial exchange rate end of 1947:—CN\$140,000 to 150,000 per US\$. Accordingly, total equivalent of Shanghai shares US\$50 million).

At the beginning, transactions were limited to spot deals which had to be settled on the day immediately following the transaction. In November, 1946, in order to extend operations, to enhance the continuity of deals and to facilitate transactions by clients from outposts, a 7-day "deferred delivery" system was introduced. Such transactions were started in the morning session of every Thursday and continued until the following Wednesday morning. All transactions done during this week-period were settled on the following Friday.

Margin requirement for the deferred delivery transactions was originally fixed at 30 percent, of which 10 percent was to be put up in cash, the remaining 20 percent in bank guarantees or securities. On May 16, 1947, however, the authorities revoked this provision and required that margin payment must be made in Government-issued "United States Currency" Bonds or cash in lieu thereof. On July 1, 1947, the margin requirement was further raised to 50 percent, all payable in cash. Additional margin was required when any outstanding deferred transaction suffered a loss. This margin was adjusted daily and must be paid fully in cash to cover the loss.

Since the introduction of the deferred delivery, arbitrage operations were made possible by utilizing the differences in prices quoted for spot and deferred deliveries. As from December, 1946, the Exchange installed a special counter to deal with arbitrage transactions. This measure proved beneficial to the money market as it offered a way of directing idle funds to needy parties. It helped the Exchange to carry out one of its most important missions, to reduce the pressure forced on commodity prices exercised by the idle funds. The rate of interest obtained from such arbitrage transactions have largely been governed by the forces of supply and demand and has usually been lower than the current market rates.

To meet the needs of the market, the trading lot of shares dealt with on the Exchange had to be adjusted periodically. The largest trading lot is 100,000 shares, while the smallest is 1,000 shares. To facilitate buying and selling of smaller holdings less

than a round-lot, the Exchange put into force regulations for odd-lot transactions, and five brokers were designated to attend to such deals.

With reference to business done at the Exchange, the total number of shares dealt with from its opening on September 16, 1946, until the end of 1947, not including "crossed orders" effected by the brokers, totalled 85,600 million, of which 45,500 m. were spot transactions and 40,100 m. deferred delivery.

In spite of the passage of more than 2 years since the opening of the Exchange, for various reasons, Government bonds and foreign stocks (that is, stocks issued by foreign firms in China) have not been listed on the Exchange. Even among Chinese industrial enterprises, there are a number of well known and long established companies which for the moment do not satisfy the standards set and therefore, cannot be admitted, as some of them have not yet completed registration formalities after the war, others are in the process of readjustment of their capital and the like.

In addition to the Exchange, there are in existence three other kinds of unofficial government bonds, (1) that in unlisted Chinese stocks, and (2) that in foreign stocks. There is no official market of assembly for any of these transactions, but normally unofficial market quotations are available for all.

During the first half of 1947, business in consolidated government bonds was very brisk, in view of rumors that they would be repaid several thousand times their face value. Prices underwent violent fluctuations. When in June, the financial authorities announced that repayment would be effected only at face value, the market became quieter. Even then, quotations for these bonds rose by some 1,500 percent during 1947.

Of Chinese stocks not listed on the Exchange, there were some 30 in which business was brisk viz.: Chinese Merchant Electricity, Bank of China, Bank of Communications, Nanyang Brothers Tobacco, Chung Hwa Book Co., World Book Co., and the Ta Sheng Cotton Mills.

In foreign stocks, considerable business was done in Ewo Cotton, Shanghai Dockyard, China Fibre, Shanghai Realty, Asia Navigation, Ewo Brewery, China Metals and Wheelocks. These stocks had their capital converted into Hongkong currency, and their quotations were naturally closely related to the Hongkong exchange rate.

Apart from Shanghai, dealings in stocks were also brisk in Tientsin, Hankow and Canton. In Tientsin, the proposal was mooted in February 1947 for the creation of a Stock Exchange. By the end of the year, preparatory work had been completed. There were to be 98 brokers, while 13 stocks were to be listed, including Chi Hsin Cement, Luanchow Mining, Kiangnan Cement, East Asia Development, Tsi An Water Works and 8 others. Nothing came out of the scheme.

In no other city exists a regular share market.

Position of Singapore Securities Market

The great underlying strength of industries is the encouraging factor in the Singapore securities market. With large scale absorption by Singapore investors who, while confidence was lacking elsewhere, were buying the shares they knew in companies whose past records and present profits gave promise of favourable actions even in the uncertain future, the market shows general confidence.

Tin and rubber share transactions are meagre, undoubtedly due to the bandit problem and the publicity it is receiving. Loans remain steady and small business is being done.

Industrial offerings aggregate a substantial sum but are placed without appreciable weakening in the market.

Tin shares are however weak. London continues to offer sterling without attracting buyers and dollar tin counters weaken in sympathy. Sydney, too, is a seller, but there usually is some selective Malayan buying.

Rubber shares are sought by bargain hunters willing to discount many shares at about the equivalent of their liquid assets and external investments but unwilling to place any value on the estates themselves.

The loan market is as yet unaffected by the Bill introduced in Kuala Lumpur on Feb. 17 to authorise the raising of a hundred million dollars by the Federation, either in London or Malaya. The provision for the issue of Treasury Bills to tide over the period before loan funds become available suggest that it would be some time before the terms of the new issue or issues would be known. Meantime it was to be hoped that the British Government would make up their minds as to the administrations to find the interest and sinking funds for the new loan.

Political Considerations

Last month Mr. MacDonald was promising the Federation independence within measurable time, and now Mr. Rees-Williams outlines a larger grouping of Malaya, Singapore, North Borneo and Sarawak in a single independent state. All of which is highly confusing to the simple investor who will be expected to lend money repayable some 20 years hence on the security of states whose shape and make-up exist only vaguely in the minds of those who speak for the borrowers. Nor is the confidence of the investor increased by the scores of new officials who arrive by almost every vessel to take up newly created appointments and become a prior charge in revenue. These are generally connected with Controls, Social Welfare, Public Relations, or the investigation of sundry conditions, not one of which activities will put a single grain of rice in the Malayan rice

bowl nor add a dollar to its trade. In this connection the comment by the Governor of the Leeward Islands on such visitations in his territory could also apply to Malaya.

The opening of the Overseas Union Bank Limited is generally welcomed. This is another mark of the increase of Singapore's trade and increasing ability to provide for the development of trade and industry from Singapore funds.

NOTICE

THE HONGKONG & SHANGHAI BANKING CORPORATION

Ordinary Yearly General Meeting

NOTICE IS HEREBY GIVEN that the Ordinary Yearly General Meeting of the Shareholders of the Corporation will be held at the Head Office of the Corporation, 1 Queen's Road Central, Hongkong, on Saturday the 5th day of March, 1949 at 11.30 a.m. for the purpose of receiving and considering the reports of the Directors and of Auditors and the Profit and Loss Account and Balance Sheet for the year ended 31st December, 1948, and for the election of Directors and the appointment of Auditors.

The Register of Shares of the Corporation will be closed from Friday, the 18th of February to Saturday, the 5th of March, 1949 (both days inclusive) during which period no transfer of shares can be registered.

By Order of the Board,

A. MORSE,
Chief Manager

Hongkong, 26th January, 1949.

NOTICE

A. S. WATSON & CO., LIMITED.

NOTICE is hereby given that the Sixtieth Ordinary Yearly Meeting of the Company (since registration) will be held at the Hong Kong Hotel, Hong Kong, on Friday, 25th February, 1949, at 12 noon, for the purpose of receiving the Report of the Directors, together with the Statement of Accounts for the period ended 31st October, 1948 and to elect Directors and appoint Auditors.

The Transfer Books of the Company will be closed from Tuesday, 15th February, 1949, to Friday, 25th February, 1949 both days inclusive.

JOHN D. HUMPHREYS & SON. LIMITED.

General Managers.

Hong Kong 7th February, 1949

TRADE WITH INDOCHINA

During recent months there has been less emphasis here on expansion of trade with Indochina due mainly to the difficulties in settling accounts. In order to improve the interchange of goods Hongkong-Saigon trade will probably be put on a two-way account basis with balances to be cleared every 6 months. While Hongkong maintains an open exchange market the Indochinese authorities control foreign exchange rigidly with a view to conserve exchange earnings for essential imports. Barter trade between Hongkong and Indochina appears therefore as the logical solution of the problem how to increase the volume of trade. While one may deplore another instance in the change of the trade pattern from multilateral to bilateral trade there is no other practical approach under conditions as prevailing in most countries today which find themselves chronically short of US\$ and, since a few months, also to some extent of sterling.

CONDITIONS IN NORTH CHINA AND MANCHURIA

Essential commodities on the Peiping and Tientsin markets have shown a dropping tendency with prices in the two cities slowly moving into line with the much lower level in the surrounding countryside. Within about 10 days most essential commodity prices in Peiping and Tientsin have declined by 5 to 20%; last week's wholesale prices in Peiping were:—cornflour 14 yuan (People's Bank currency), millet 20 yuan, wheat flour 24, pork 47, all per kilogram. A bag of wheat flour of 22 kgs. cost 840 yuan.

THE "STAR" FERRY COMPANY, LIMITED

NOTICE TO SHAREHOLDERS ORDINARY YEARLY MEETING.

Notice is hereby given that the Forty-seventh Ordinary Yearly Meeting of the Members of the Company will be held at the Office of Messrs Jardine, Matheson & Co. Ltd., Pedder Street, Hong Kong, on Monday, the 28th day of February, 1949, at Noon, to transact the following business:—

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st December, 1948.
2. To sanction a Dividend in respect of the year 1948.
3. To elect two Directors.
4. To appoint Auditors.

CLOSING OF TRANSFER BOOKS.

Notice is also given that the Transfer Books and Register of Members will be closed from the 14th February, 1949, to the 28th February, 1949, both days inclusive.

By Order of the

Board of Directors.

G. B. S. THOMSON,
Secretary.

Hong Kong, February 1, 1949.

Heavy arrivals of foodstuffs by the Military Committee resulted in the unloading of stocks held by grain hoarders. Harvest prospects are generally favourable which is another factor depressing prices. With food prices lower the scale of wages and salaries may within a short time decline thus bringing the cost of living, in terms of the new Jenmin yuan, drastically down.

The state bank of Manchuria, the North-East Bank, under a directive issued by the North-East Administrative Council, granted large loans, in North-East Bank yuan, to the farmers and other producers in Manchuria throughout 1948. These loans are given free of interest but have to be paid back in kind, i.e. agricultural produce, mostly grain and seeds. As prices in Manchuria remain stable the repayment of loans, granted in terms of N.E. yuan, does not impose any burden on the debtors. Returned loans, both in yuan and in kind, are again granted to other farmers or producers thus constituting a revolving credit fund.

Loans are given for the purpose of increasing production by farmers (individual or in groups). The head office of the N.E. Bank is in Harbin but may soon be removed to Mukden.

Spring and autumn 1948 loans were mostly given to farmers in Hokiang and Nunkiang provinces but this year, since Manchuria is under full control of the North-East Administration (which is established by the Chinese Communist Party with some non-CP members), loans will be granted to farmers all over the country. Last year's loans were instrumental in raising larger crops of buckwheat, kaoliang, millet, soya beans, producing more seed, horse and cattle fodder, and rehabilitating the farmers' principal transports; carts. In Hokiang province total loans amounted to 27 billion yuan equivalent to 4 million kgs of grain.

HONGKONG IMPORTS FROM NORTH CHINA & NORTH KOREA

Further direct imports of North China and Manchuria produce have arrived in the Colony and more regular trade with Tientsin, Chefoo, Chinwangtao and other ports under the control of the Communist authorities is expected. Last week's cargo arrivals from the North comprised bristles, soya beans and bean cake, groundnut oil.

Bristle prices, as a result, showed dropping tendency. Last week's price indications for bristles: Tientsin No. 55 assortment US\$ 8.40 per pound, Chungking US\$4.05, Hankow 5.50, Shanghai 3.10, Manchuria (Harbin) bristles US\$8.10.

Demand in North Korea—which country is not recognised by Britain and the USA—for rubber, newsprint, chemicals, pharmaceuticals, machinery etc. is insistent while exports of fertiliser (sulphate of ammonia) are available in big quantities for payment (barter) of imported goods. Soya beans and bean products, partly obtained in N. Korea from their trade

with Manchuria, are also offered in large quantities. As yet the tonnage available on the direct run between Hongkong and North Korea is inadequate and all ships so employed are chartered by merchants as scheduled routes are not established. Extraordinary profits in this barter trade continue to be made as the risk involved in carrying cargo up to North Korea for eventual barter is high. Some failures will certainly occur. Sulphate of ammonia exports from N. Korea could exceed 100,000 tons within 3 months provided that sufficient tonnage is available to bring such big loads down to Hongkong, and provided also that local merchants can offer raw materials and machinery to Korea approx. equal in value to the fertiliser on offer.

COTTON, YARN & PIECE GOODS

(in HK\$, as at the end of the week, Feb. 26).

Cotton yarn: 10 counts 950/1,060; 20 counts 1,250/1,330; 32 counts 1,700; 40 counts 2,100; 42 counts 2,180. (per bale of 400 lbs).

Raw Cotton: Pakistan LSS \$1.80, India Bengal 1.05, Rangoon 1.60 per lb, Siamese 200 per picul of 133.33 lbs.

Cotton Piece Goods: grey sheetings, 12 lbs per piece, \$42 to 47 per piece; white cloth 43.20 to 53, black cloth 42 to 46.50, blue cloth 45 to 47, drills 42 to 49, black & white poplin 55 to 58. (per piece).

Hongkong Market Reports

February 14 to 18

Piece Goods

The market on opening was flooded by piece goods from Canton, which had been sent there from Shanghai in spite of prohibitions. The market consequently fell badly. As it was unknown how long this accumulation of stocks in Canton was likely to continue, buyers abstained from purchasing.

Grey sheeting fell by about 40 cents per piece and white shirting by 30 cents. Black and white poplin and cloth for summer wear kept steady. There was no demand for red, purple, black drills, etc.

Tsin Leung Yuk white cloth fell to \$45.50 per piece as compared with \$49.20 a few weeks back; Camellia brand dropped to \$44.00 from \$48.40; double golden tael brand declined to \$47 from \$51.

Woollen Piece Goods

Offers of woollen piece goods were received from Great Britain. Large orders were placed at 28/- a yard, and later at 29/6d. Italian piece goods were also booked at \$7 a yard, a drop of \$2 against last year's price.

Metals

Prices of metals fell owing to large quantities of Japanese products being on the market.

Galvanized mild steel sheets (thin and thick) fell in price, upon information that there were large stocks in Canton. Belgian sheets, thin, 3 x 7 ft. fell to \$10.70, British sheets (thin) 3 x 6 ft., opened at \$9.10 and \$9.20, but fell

HONGKONG EXPORTS OF ESSENTIAL OILS AND PERFUME MATERIALS.

Hong Kong's declared exports of essential oils to the United States during the first 10 months of 1948 consisted of the following items (values in US\$):—Cassia, 50,400 pounds (\$70,372); citronella, 45,277 pounds (\$46,115); aniseed, 209,950 pounds (\$127,506); camphor, 86,107 pounds (\$22,589); ho (Shiu) oil, 4,636 pounds (\$5,175); Geraniol, 360 pounds, (\$594) musk, 162 pounds (19,876); safrol, 2,540 pounds (\$668); and flower water, 63 pounds (\$107).

during the week to \$9. Mild steel plates found a sale at slightly higher prices; 1/32" sold at \$81 per picul, 1/16" at \$60, 1/8" at \$52 and 1/4" at \$51. Copper sheets, American, were offered at too high prices to find a sale. Japanese copper sheets, thin, could not fill the demand from local torch manufacturers; the price was \$170 per picul c.i.f. Hongkong, while British sheets were \$208 c.i.f. Hongkong. Mild steel round bars, French, 1/2" to 1" were indented at £36 per ton, c.i.f. Hongkong, a fall of about £2, thus meeting competition from the British and Belgian products. Wire nails of Japanese origin sold at \$48, compared with nails from Czechoslovakia at \$55.

Cement

A shipment of 1,000 tons of cement from Formosa was in keen competition with Japanese products; 1 cwt. bags sold at \$5.90, forward delivery at \$112 per ton. Japanese 100 lb. bags were \$5.60, forward delivery at \$106 per ton.

China Produce

Tungoil was slow, selling at \$127.50 and dropping to \$126.50. Teaseed oil at first fetched \$153.50 per picul, but fell to \$151.50.

Rapeseed Oil sold at \$136.50 per picul (with export permit) and \$130.50 (without permit), the rise being due to a shipment of several tons to Germany. Resin rose on demand from Indian buyers, selling at \$37 per picul. Cassia sold at \$92 per picul. Aniseed Star showed a lower price of \$51 per picul. Ramie was sold at \$180 per picul, an increase as a result of a strong demand from France. Bristles from Korea sold for \$43 per lb.

Orn

Sales of Wolfram rose with the seasonal demand; Canton 65 degree fetched \$360 per picul, 80% was \$305, Korean standard quality was \$350. Tin ingots also found ready sales. Stocks of Singapore tin 99.75% were exhausted. Tin from Kwangsi 97% rose to \$490 per picul (with export permit), and \$455 (without permit). Copper ingots were bought at \$108 per picul and \$110 for re-export.

Glass

A shipment of 2,000 cases of window glass arrived from Japan but was quickly absorbed by buyers from the Philippines and Korea, 100 sq. ft. 18 oz. quality selling for \$40 per case, not much lower than French glass 16 to 18 oz. 200 sq. ft. which fetched \$46. Belgian thick glass 24 oz. remained at \$120 per case and 18oz. at \$79; French glass 18 oz. sold at \$78.

HONGKONG IMPORT REGULATIONS

In order to simplify and facilitate the documentation of merchandise Hongkong import regulations have been progressively reduced. Present import regulations are as follows:—With certain exceptions, import licenses are not required for commodities and goods imported from the United States, the British Empire and mandated territories (except Canada) Iraq, Iceland, Siam, Burma, French Indochina, Indonesia, and the Republic of the Philippines.

A special license, obtained from the Import and Export Department, is required in the case of imports from these countries and territories of the following: Butter, cheese, margarine; flour, rice and rice products; sugar; meat of all kinds; soap; tin, tin plate; coal, coke; cotton yarn; sulfate of ammonia; diamonds, gold; gunny bags; cotton lining poplin, and linen piece goods; lead; cutlery; whisky, beer; manufactured tobacco; glass, plate and sheet; iron and steel; and zinc and zinc-processed articles. In addition, all goods except coal, coke, cotton yarn, and sugar may be imported from China and Macao without a license.

Where a license is required, as in the case of the afore-mentioned specified items, or where the imports are from other than the exempted countries listed above, it has been the policy of local authorities to grant the license and exchange automatically and freely, except:

1. When the item sought to be imported is under international allocation, such as margarine, flour, rice, and tin; or

2. Is prohibited from importation as being against public policy, such as gold bars and gold coins;

3. Certain restricted imports which require prior authorization of the Department of Supplies, Trade and Industry before import licenses can be granted; these include food products generally (including those listed in the first paragraph), except milk and milk products, biscuits, and canned fish, provided they are not being imported from the United Kingdom. Coal and coke, cotton yarn, tin and tin plate, and building and construction materials, such as structural steel, mild steel bars, wire and wire nails, and cement, are also included in this category;

4. Imports jewelry (irrespective of country of origin) which require approval by local exchange control except small quantities of bona fide personal jewelry for which a license is issued on application; and

5. Imports of rubber which are permitted only under special license. Rubber may be imported from French Indochina and Siam only on the production of a certificate of origin and a British consular invoice. In every case where rubber is reexported to a territory outside of the sterling area, a deposit of the exchange value in full is demanded.

Imports from countries and territories other than those listed in the

(Continued on Page 237)

Malayan Reports

Malayan Federation

Imports & Exports of Tea

During 1948 a total of 2,821,282 lbs of tea valued Malayan \$3,038,506 were imported; black tea was imported to a value of \$2,947,235 at a weight of 2,697,647 lbs, and green tea imports were 123,635 lbs at \$91,272. Imports came from Singapore, Ceylon, Indonesia and China.

Exports in 1948 totalled 745,312 lbs at \$609,241 practically all of which was black. Shipments went to the U.K., Siam, Singapore and Indonesia.

Imports & Exports of Palm Oil and

Kernels

In 1948 total imports were 233.36 tons of palm oil and 1.43 t of kernels (from Singapore and Indonesia). Exports for 1948 totalled 48,176.35 tons of palm oil (to U.K., France, Italy, Singapore) and 4,064.66 t of kernels.

Palm Oil Production

Total acreage in 1948 was 81,991 acres (against 78,181 in 1947); estates in production during 1948 numbered 79,904 (against 70,828 in 1947). Number of estates were: in Perak 19,394, Selangor 15,705, Negri Sembilan 2,688, Pahang 3,103, Johore 37,464, Kelantan 550.

Total palm oil production in 1948 was 45,257.4 long tons (against 39,115 t in 1947, and 57,962 t in 1940). Production of kernels was 8,741.1 tons (against 5,355 in 1947, and 9,611 in 1940). At the end of 1948 the following stocks were held: 5,412.4 tons of palm oil, and 814.3 tons of kernels.

Production record: in 1948 highest production of palm oil was in November with 4,827 tons, followed by December 4,762. These figures compare with production in Jan. and June (the month when terroristic attacks started) at 3,821 t and 2,420 t respectively. Palm kernels produced in Dec. 1948 amounted to 873 tons, highest for the year was November with 913.6 tons.

Palm oil, palm kernels, copra, coconut oil and all other edible oils and oil seeds which are commodities in world short supply are subject to allocation by the I.E.F.C. The greater part of the output of these products from Malaya, North Borneo and Sarawak has been allocated for the year 1948 to the United Kingdom. In order that producers are at liberty to sell their products in accordance with normal commercial practice, the export control whereby the above mentioned oils and oil seeds are directed to the United Kingdom were removed with effect from the 14th September, 1948. Export of these products to any destination are now regular.

HONGKONG'S TRADE IN JANUARY 1949

The year started well with the first month's trading resulting in an export surplus, the second time in Hongkong's history (first month yielding an export surplus was August 1948 with \$18.1 m. or 13.94%); with \$331 m. total trade in January the export surplus was \$12,475 thousand or 7.83%.

Exports were also the second highest, in value, so far recorded in the Colony, only 6.9% lower than in the all-time record month of December 1948. Compared with the preceding month, Dec. 1948, the trade returns of January show decline of 38.30% for imports, and 6.98% for exports; but compared with the month of January 1948, imports and exports this year were considerably higher, viz. 14.01% for imports and 51.62% for exports. Compared with the monthly averages of 1948 (imports \$173.1 m., exports \$131.8 m.) the January trade figures show a decrease in imports of 7.96% and an increase of exports of 30.27%. Against 1947 averages (imports \$129.1 m., exports \$101.4 m.) the trade of Hongkong in January shows great improvement, viz. 23.36% for imports and 69.44% for exports.

Imports of merchandise into Hong Kong during January amounted to a declared value of \$159,335,982 as compared with \$139,755,107 in January, last year. The figures include Government sponsored cargoes.

Exports of merchandise totalled a declared value of \$171,811,389 last month as compared with \$113,316,392, in January 1948.

Total value of imports and exports of merchandise by countries follow:—

COUNTRIES	IMPORTS FROM		EXPORTS TO	
	January 1948	January 1949	January 1948	January 1949
	\$	\$	\$	\$
United Kingdom	13,599,305	22,154,585	8,598,318	17,311,202
Australia	2,471,197	8,854,754	1,660,962	1,525,413
Canada	2,652,695	3,053,975	236,902	557,866
Ceylon	76,410	199,747	727,187	940,017
East Africa	—	24,681	318,175	238,898
India	1,589,614	1,100,674	1,466,002	4,276,776
Malaya (Br.)	6,115,254	1,792,282	19,446,297	15,287,940
New Zealand	—	1,400	225,136	117,325
North Borneo	1,050,579	531,459	663,622	668,961
South Africa	—	813,542	455,174	106,444
West Africa	—	—	265,148	333,392
West Indies	—	—	16,824	366,835
Br. Emp., Other	3,086,596	2,654,654	623,247	820,591
Belgium	4,844,227	1,432,712	652,811	766,971
Burma	2,150,329	1,361,365	463,215	2,005,366
China, North	3,923,127	9,422,141	3,524,349	2,712,885
„ Middle	2,651,942	2,568,143	2,845,941	2,626,904
„ South	22,093,354	27,815,673	7,249,409	7,830,335
Cuba	53,760	—	164,726	61,157
C. America	31,604	86,484	112,818	381,702
Denmark	339,563	91,652	56,630	450,198
Egypt	488,900	—	357,968	660,842
France	626,104	2,800,800	500,120	1,949,831
Fr. I. China	2,598,972	735,138	1,775,806	2,748,296
Germany	—	435,310	—	3,329,999
Holland	1,146,644	2,402,908	891,181	1,189,108
Italy	1,356,481	1,591,478	51,279	2,736,682
Japan	12,512,216	8,498,968	2,298,618	8,249,685
Korea, South	1,806,201	2,917,700	2,042,322	3,623,905
„ North	—	1,990,448	—	11,189,014
Macao	5,740,339	8,935,408	12,499,185	7,447,909
Norway	1,174,503	391,277	219,143	262,130
Neth. E. Indies	916,915	2,510,283	5,291,536	5,126,337
Philippines	500,194	436,296	7,956,279	9,242,909
Portugal	10,687	62,907	—	9,492
Siam	8,094,561	7,081,147	8,749,276	13,793,122
S. America	608,112	464,670	1,035,850	142,554
Spain	48,031	29,186	—	289,224
Sweden	1,837,657	684,486	—	134,755
Switzerland	4,086,542	4,124,266	2,475,685	15,214,731
U.S.A.	29,220,383	25,748,677	13,094,983	2,785,597
U.S.S.R.	—	—	—	—
All Other Countries	284,099	3,096,916	1,899,260	25,183,124
Total	\$139,755,107	\$159,335,982	\$113,316,392	\$171,811,389
Total Br. Empire	82,781,979	41,181,653	85,166,209	42,551,060
Total Foreign	\$107,023,128	118,154,329	78,150,183	129,259,729

Articles	January 1948	January 1949	January 1948	January 1949
Live animals, chiefly for food	2,885,474	8,259,099	4,773	8,040
Meat and preparations thereof	382,592	3,979,888	1,514,451	2,218,845
Dairy products, eggs & honey	1,691,824	4,462,519	2,291,714	3,331,947
Fishery products, for food ..	3,609,231	5,294,176	1,438,438	2,696,203
Cereals	8,938,171	6,800,110	59,119	49,305
Manufactured products of cereals, chiefly for human food	988,508	2,429,100	897,861	2,378,097
Fruits and nuts, except oil- nuts	2,466,345	2,726,260	2,097,033	2,640,354
Vegetables, roots and tubers, and their preparations, n.e.s.	5,261,982	3,003,983	6,481,535	5,439,875
Sugar and sugar confectionary	895,103	1,993,420	729,527	1,150,361
Coffee, tea, cocoa and prepara- tions thereof; spices	869,285	1,606,924	898,867	1,562,001
Beverages and vinegars	923,486	841,873	467,014	736,070
Feeding stuffs for animals, n.e.s.	7,107	837,486	71,149	1,062,509
Tobacco	2,489,553	3,629,394	3,470,993	1,695,464
Oil-seeds, nuts and kernels	712,355	315,249	341,325	2,215,543
Animal and vegetable oils, fats, greases and waxes and their manufactures, n.e.s.	14,397,503	12,175,774	18,582,236	21,886,026
Chemical elements and com- pounds; pharmaceutical products	7,864,894	9,612,673	2,659,109	4,634,253
Dyeing, tanning and clouring substances (not including crude materials)	7,850,206	4,626,507	2,224,700	4,483,102
Essential oils, perfumery, cos- metics, soaps and related products	1,103,277	1,133,410	1,723,189	774,207
Fertilizers	208,380	305,552	690,576	1,116,204
Rubber and manufactures thereof n.e.s.	2,343,591	2,386,498	1,684,055	2,158,839
Wood, cork and manufactures thereof	3,413,718	3,127,258	541,866	632,618
Pulp, paper and cardboard and manufactures thereof	7,544,335	2,623,915	2,973,078	6,460,427
Hides and skins and leather	1,418,769	1,790,244	1,504,885	1,270,984
Manufactures of leather, not including articles of clothing	19,360	45,815	353,669	365,769
Furs, not made up	163,570	44,320	225,043	243,220
Textile materials, raw or simply prepared	1,903,795	3,315,336	1,671,320	6,621,475
Yarns and thread	10,137,018	7,737,966	3,788,863	12,622,594
Textile fabrics and small wares	8,848,674	14,946,026	13,722,689	23,573,272
Special and technical textile articles	360,989	355,266	191,380	664,986
Clothing and underwear of textile materials; hats of all materials	1,191,551	2,003,549	3,727,043	5,239,496
Clothing of leather and fur	35,672	9,940	1,864	350
Footwear, boots, shoes and slippers	71,753	120,117	862,770	1,848,475
Made-up articles of textile materials other than clothing	1,485,010	577,984	2,452,922	2,665,541
Products for heating, lighting related products	7,085,792	7,701,253	5,504,614	2,703,176
Non-metallic minerals, crude or simply prepared, n.e.s.	2,240,691	332,291	423,774	370,985
Pottery and other clay products	589,773	335,712	490,406	694,213
Glass and glassware	1,359,575	421,501	543,168	818,390
Manufactures of non-metallic minerals, n.e.s.	119,815	414,133	84,860	151,086
Precious metals and precious stones, pearls	71,166	598,374	158,548	240,774
Ores, slag, cinder	228,410	1,091,338	3,505,079	840,007
Iron and steel	3,479,686	3,931,222	1,800,873	2,161,696
Non-ferrous base metals ..	2,387,405	3,663,084	1,379,561	2,941,905
Manufactures of base metals, n.e.s.	2,677,033	4,376,049	5,710,960	10,286,065
Machinery, apparatus and ap- pliances, n.e.s., other than electrical	2,800,322	3,669,063	359,324	1,037,271
Electrical machinery, appar- atus and appliances	1,887,736	2,109,068	765,114	1,647,854
Vehicles and transport equip- ment, n.e.s.	2,417,915	1,872,303	1,622,521	1,905,274
Miscellaneous crude or simply prepared products, n.e.e.	3,117,204	4,948,348	5,230,440	13,690,355
Manufactured articles, n.e.s.	6,759,290	9,954,062	5,437,099	7,825,776
Total Merchandise	139,755,107	159,335,982	113,316,392	171,811,389
Gold and specie	—	74,940	4,660,076	1,095,265
Grand Total	139,755,107	159,410,922	117,976,468	172,906,654

Malayan Reports

Tin Imports

For smelting or re-export the follow-
ing quantities of tin ore (not tin metal
content) were imported into Malaya: in
1948: 4,848 tons, in 1947: 4,559 tons; in
1940: 62,352 t; in 1938: 27,765 t.

In December 1948 tin ore imports
into Malaya & Singapore were 371 long
tons; from Burma 142, and Siam 229.

During 1948 importing countries
were: Burma 2,515 long tons, China 0,
Indochina 44, Indonesia 2, Siam 2,287 t.
Primary tin metal imports in 1948 were
only 166 tons, all from Indonesia.

Rubber Imports into Malaya and Singapore

Total imports in 1948 were 300,091
long tons, of which 255,766 t into
Singapore and 44,325 t into Malaya.
Imports came from British Borneo
(incl. Brunei and Sarawak), Indochina,
Indonesia and Siam.

Imports in the years 1947, 1940, and
1938 were respectively (in long tons):
313,549; 234,319; and 156,101.

Rubber Stocks in Malaya and Singapore.

At the end of 1948 (in dry tons):

(1) Dealers' stocks 57,036, of which
50,420 dry rubber, the rest wet rubber
and latex.

(2) Port stocks 24,775, of which
5,132 at Harbour Boards, wharves,
lighters and 4,400 at Railway godowns,
and 15,243 other port stocks. Most
stocks were held at Singapore and
Penang with respectively 12,475 and
10,222.

Coconut Oil Production

At the end of 1948 there were in
production 73 mills (only oil mills not
small-holding expressers) which treat-
ed 177,034 piculs (16.8 piculs per one
long ton) of copra, expressed 96,476
piculs of oil and manufactured 63,371
piculs of cake (poonac).

Oil mills in Malaya at end of 1948:
Perak 18, Selangor 19, Negri Sembilan
1, Pahang 1, Malacca 3, Penang and P.
Wellesley 9, Johore 18, Kelantan 1,
Kedah 3.

Total production in 1948 of oil was
51,165 tons, of cake 37,970 tons, while
99,505 tons of copra were treated. De-
cember and November 1948 production
of oil and cake were respectively: 5,743
tons of oil, 3,772 tons of cake; and
5,096 tons of oil, and 3,669 tons of cake.

Stocks held at the end of 1948: oil
44,285 piculs (2,636 tons); cake 3,771
piculs (224 tons).

Above figures do not include produc-
tion of small-holders.

(Continued from Page 234)

first paragraph, especially European countries outside of the sterling area, require, in addition to a license, an exchange permit or an authorization from the Exchange Control Office of Government. Even when the importer provides his own exchange or has funds available in the country of origin, exchange-control scrutiny is necessary before an import license can be issued.

Reports from Shanghai

Shanghai still carries on, though under extremely difficult conditions. A peace mission has left for Peiping, in the hope of putting an end to the uncertainty, the effects of which are extending to every aspect of life in the city. To add to the discomfort factories and many unoccupied houses in the western area have been requisitioned for Government troops.

Bankruptcies. Currency uncertainties make trade almost impossible and as a consequence of the chaos existing, four Chinese firms have been forced to close down, the most important being an old-established import-export firm with branches in South China and Hongkong. The amount involved in these bankruptcies is 81 million gold yuan.

Exports. In difficult conditions like the present, it is only to be expected that smuggling would be on the increase. Piece goods, for example, are being sent through Kwangsi to Canton and thence to other parts. The trade figures issued by the Export Development Department of the Import-Export Board are bound to be a very incomplete record of trade. The returns for the week January 16 to 22, however, show an increase over those for the week Jan. 1-8 though they are little over half the volume of the exports for the week ending December 25.

Exports for the week January 16 to 22:—

General	
Bristles	445,388
Woodoil	140,399
Furs & Skins	147,173
Other Vegetable Oils	269,114
Tea	27,968
Straw Hats	139,074
Hog Casings	17,958
Feathers	141,073
Metals & Metallic Products	119,247
Woolen & Silk Yarns	16,937
Fresh & Preserved Eggs	37,465
Cotton Manufactures	150,968
Wool & Woolen Products	82,766
Silk Manufactures	66,817
Vegetable & Vegetable Products	267,147
Sundries	152,133

Sub total US\$2,221,627

Under Government Control or Aid:

Frozen Eggs	22,010
Cotton Piece Goods	381,089
Cotton Yarn	268,975

Sub total US\$ 672,074

Grand Total US\$2,893,702

REPORTS FROM JAPAN

(From Our Correspondent)

The fixing of the exchange rate is delayed for some time, it is anticipated, however, that it will soon be enforced at the rate of Y350 to US\$1. Up to the present, exchange rates have varied considerably according to the type of commodity for export. In fact conversion rates have ranged from Y600 to Y150 to US\$1. But preparatory to fixing the rate and in order to avoid as much disorganisation as possible it was announced on February 1 that it would be temporarily fixed at Y450 to US\$1 where it had formerly been Y600. This gradual scaling down was taken to aid readjustment before the official rate of Y350 was enforced. A large number of articles are affected by this ruling such as china, rubber, celluloid products, glass and machinery.

Living Conditions: In spite of Japan's efforts to re-establish herself as a trading nation, business transactions are not yet easy. Apart from the necessity of working through S.C.A.P., the average trader has to face very strong competition abroad and only those who offer good terms can hope to strike a bargain. On the other hand, transportation costs are low and no tax is levied upon either imports or exports. The chief imports include raw materials and foodstuffs, while the principal exports are textiles, marine products and daily necessities.

The cost of living is low and a family of four can live on 6,000 yen a month, which according to the black market rate would be equivalent to US\$17.

Sewing Machines: Factories which have been converted from the manufacture of munitions are endeavouring to establish themselves as manufacturers of a more peaceful nature. Sewing machines are a noteworthy example of what is being done in this direction and already the sale of these have reached pre-war level. This is, however, due in large measure to the domestic demand, which in itself, though likely to increase still further for a time at least, must eventually become less active. Export of these machines is therefore essential. There are roughly sixty firms engaged in the manufacture of these machines and during the past year it was planned to export some 50,000. Although not yet definitely known it is thought that this figure was attained or nearly so. These machines found their way to Hongkong, Siam, Philippines, India, Netherlands East Indies, and also to the United States and South America.

The Japanese manufacturer bases his expectations of an increasing volume of exports on the fact that, (1) Hongkong is the greatest "relay station" of trade in Asia; (2) In Siam, where no ill-feeling is evidenced against Japan, there is definitely a readiness to trade with her; (3) many promising inquiries have recently been received from India leading to the anticipation of still greater demand for sewing machines in the future; (4) Netherlands East Indies, while listed as an importer of these machines, has not imported in any substantial number. There have however

been an increasing number of inquiries concerning other commodities which leads to the hope that sewing machines will soon be included; (5) while the situation in the Philippines is not clear, due in large measure to the anti-Japanese feeling which is still noticeable, inquiries have nevertheless begun; (6) South America has already imported a good number of sewing machines and it is anticipated that this large market may soon be well supplied from Japan.

Production & Exports of Sewing Machines:

	Production Number	Exports Number
1936	64,204	3,720
1937	89,586	7,240
1938	124,469	6,069
1939	164,443	10,810
1940	207,201	10,201
1941	166,443	8,402
1942	122,131	5,235
1943	30,670	3,608
1944	21,493	697
1945	4,415	—
1946	39,613	7
1947	110,334	2,060
1948	267,000	50,000

For 1949 production target is 359,000 machines.

Cotton Industry: It has recently been reported that Manchester shippers have been turning to Japan for printed and dyed cotton goods due, it is said, to technical difficulties in the Manchester textile manufacture. Whether this is a temporary setback is not known here, but until Manchester can fulfil the increasing demand for cotton goods, Japanese finished products are being shipped direct to the Gold Coast and Nigeria instead of being sent to Manchester to be printed, dyed and then re-exported. This decision to ship Japanese goods direct to the West Africa market, though promising to Japan is a disturbing factor in Manchester — a fact which the British manufacturer has not been slow to grasp and already suggestions are being voiced that Japan's recovery should not be based so heavily on cotton.

Japanese Labour: In contrast to Japan, Lancashire mills are suffering from a shortage of labour, while this country is suffering from an overwhelming surplus of unemployed. The figure has been given as 1,200,000. This is due in some measure to the United States Economic Stabilisation Programme with its single exchange rate for the yen, thus forcing administrative reforms in factories, etc. The Labour Ministry announced that some 600,000 Government workers will lose their jobs under the scheme and about that number will be added to the unemployed list. The Government is trying to cope with the situation by supporting about 650,000 on relief but the remainder will have to find their own means of livelihood in small enterprises, road-making and public work wherever possible. The picture is not, however, reassuring.

DEVELOPMENTS IN SINGAPORE & MALAYA

(By Our Own Correspondent)

Overseas Union Bank

The opening this month in Singapore of the only Chinese bank since the liberation reflects favourably the buoyancy of trade both in Singapore and Malaya. With an authorised capital of Malayan \$10,000,000 and a paid up capital of \$2,000,000 the subscription of shares was open to the general public who have absorbed what was on offer. Shares were \$100 each. The bank made an offer of 2½ per cent interest on fixed deposits if opened during the month of business. Named the Overseas Union Bank the board of directors includes about a dozen multi-millionaires, three of whom are the "Tiger Balm King" Mr. Aw Boon Haw, cinema magnate Mr. Loke Wan Tho and Mr. Chi Owyang, who is the manager. The Chairman of the bank is Mr. Tan Siau-kuang, the Managing Director Mr. Lien Ying Chow and the remainder of the board members are: Messrs. Tan Lark Sze, Lim Lean Teng, Lee Wee Nam, Yeo Chan Boon, Quek Shin, Woo Mon Chew, Yang Sin Hua, Tan Chwee Boon, Thio Soen Tioe, Richard Chuan Hoe Lim and Tang Eng Joo. The policy of the bank is stated to be to help in every way the reconstruction and rehabilitation of the country.

Tin Mining Position

Although the world shortage of steel has delayed the rehabilitation of the Malayan mining industry the tin metal price for the second half of last year remained at the set figure of £554 per ton. A few more companies resumed production and outputs increased in the

case of a number of mines. Nevertheless almost without exception, quotations for tin shares declined considerably.

To speed up further rehabilitation the Government of Malaya has advanced to the mining industry a loan of Malayan \$67½ millions. This ties in with the government's general plan to raise a \$100 million loan in Malaya and the U.K. for the rehabilitation of the industries of Malaya. However, added to the deterioration in world political affairs and the numerous attacks on Malayan mines by bandits there is in the tin market some doubt that the present stable price of tin will remain steady after the end of June which is the date on which the fixed price of tin ends. The secrecy surrounding the deliberations of the Tin Study Group has done nothing to allay the doubts in the market that the price will be changed, and it is felt that the industry has a right to know decisions at the earliest possible date.

In Malaya on the whole the second half year of 1948 was little troubled by labour disputes on mines and coal supplies were adequate. During the period five Dollar tin companies, three Australian Tin companies and eight Sterling tin companies made their first post-war dividend distributions. The Australian Malay Group continued to return substantial amounts to its shareholders in the form of capital returns by Austral Malay Tin Ltd, Pungah Tin Dredging Ltd, and Thabawleik Tin Dredging Ltd—all three of which paid back 10s. per share. A number of representative shares are given below:—

Dollar Tins	Opening 3/7/48	Closing 31/12/48	Highest	Lowest
Batu Selangor	\$ 1.60	\$ 1.25	\$ 1.60	\$ 1.25
Hong Fatt97	.96	1.00	.91
Klang River	2.90	2.50	2.90	2.50
Kuchai	1.70	1.35	1.70	1.35
Petaling	11.70	10.40	11.70	10.05
Rantau	1.57½	1.20	1.57½	1.20
Sungei Way	3.20	2.65	3.27½	2.57½
Taiping	2.65	2.60	2.82½	2.60
Talam	3.30	3.42½	3.65	3.00
Australian Tins:				
Austral Amalgamated	13/4½	12/-	14/-	11/9
Berjuntai	25/-	20/-	25/-	20/-
Kramat	21/9	19/9	22/9	19/9
Kuala Kampar	22/6	18/6	22/6	18/6
Larut	9/-	8/3	9/7½	7/9
Pungah	24/3	13/6	24/3	13/4½
Thabawleik	30/-	25/3	28/4½ ex- 10/- (=38/4½) div. c.d.	29/6 cum 10/- div.
Hongkong Tin	22/3	14/-	22/3	13/9
Kamunting	13/6	12/6	13/7½	12/6
Killinghall	17/6	14/3	17/6	14/3
Malayan Tin	29/-	26/-	29/3	26/-
Southern Kinta	17/3	14/-	17/3	14/-
South Mal.	33/-	29/-	33/-	29/-
Sungei Kinta	18/9	18/-	18/9	18/-
Tronoh	24/9	24/6	27/3	24/9

Trade Deficit

The fact that Malaya was still rehabilitating last year accounts for the considerable deficiency in overseas trade balances at the end of 1948. As in 1947 the country was still importing goods to meet the great demand for merchandise and rehabilitation materials. In the first eleven months of last year Malaya spent £33,779,126 on merchandise from the United Kingdom alone (£18,729,128 to Singapore and £15,069,998 to the Federation) as compared with £27,172,397 in the corresponding period in 1947. In many cases quantities were lower but values higher than in 1947. Tobacco, for instance, the principal import in Malaya in terms of value totalled 16.3 million lb. in quantity for the whole of 1948 (worth £5,534,991) as compared with 1947 with 16.7 million lb. worth £5,448,857. Similarly, imports into Malaya of iron and steel manufactures totalling 36,917 tons were worth £2,123,579 while the 40,582 tons imported in 1947 were worth £1,883,677. Machinery also rose in value, for example the 11,325 tons compared with 13,400 tons in 1947 rose from £3,246,252 to £3,392,514. Cars and cycles however increased in numbers and value. During 1948 5,636 cars worth £1,557,135 were imported compared with 4,464 worth £1,203,221 in 1947. Cycle imports numbered 193,029 worth £1,509,181 compared with 105,464 worth £799,342. The value of all vehicles imported in Malaya in 1948 was £6,654,199 against: £4,247,167 in 1947.

Growing Revenue

Tax collectors in the Federation of Malaya have been agreeably surprised by the response to income tax. Out of a total assessment of about \$25,000,000 so far \$3,600,000 have been collected. This is no doubt due to the rising tide of loyalty in the Federation brought about by the indiscriminate attacks on all races by the bandits. Taking a lead from the Malayan Chinese Association (formed recently in the Federation with an impressive list of members pledged to work wholeheartedly with the Government in its efforts to stamp out banditry and terrorism), Mr Heah Joo Seang, president of the Penang Teochew Association has just asked the Government to enlist the aid of Chinese "kongsis" during the present emergency. He said, "if he Government would place more confidence in 'kongsis' such as the Lims and the Ongs they could form the nucleus of a very useful institution, especially in effecting closer harmony with other communities."

The Colony of Singapore has so far collected more than \$5,000,000 income tax: but the total assessment for the Colony is about \$35 million and officials do not expect collections to be completed for some months yet.

Rubber Exports

Exports of rubber from Malaya in January totalled 93,613 tons, an increase of 28,112 tons over December and 6,754 tons more than in January

Economic Reports from Singapore and Malaya

RICE PRODUCTION IN MALAYA

In 1938, the total consumption of rice was 911,000 tons and of this only 299,000 tons or one-third was produced locally. For 1948, local production is estimated at 343,000 tons, whilst imports on the I.E.F.C. allocation amounted to about 400,000, a total of 743,000 against an estimated 1,000,000 tons to satisfy present day demands. The population on the average is only getting about four-fifths of what it requires and local production is still only one-third of total requirements.

Whilst production has steadily increased over the past 20 years, imports have also increased in about the same ratio; production remaining at one-third of consumption. With a rapidly increasing population demand for rice is bound to increase. The 1921 census gave the population as 3,358,000, in 1931 it was 4,385,000, at the present time it is on the 6,000,000 mark. Vital statistics show that the number of mouths to feed is increasing at the rate of over 100,000 per year, which will require 15,000 additional tons of rice each year. Unless Malaya is to become more and more dependent on imported rice, local production must be increased.

To produce 15,000 tons of additional rice each year would, on present yields, require the development of 35,000 acres of new land annually. If this could be achieved import requirements would remain stable and the ratio of production to consumption increase.

Since the re-occupation of Malaya good progress has been made and both the area planted and the crop harvested were records for the country, but the total yield was only

reluctant to commit themselves further, the volume of dealings was the smallest for the year to date. Prices throughout show a decline. Sterling tins were the weakest section in the Tin share market, and London was a seller of practically everything at prices which suffered daily reductions, and only bid "give-away" prices for any offerings from this side. In Rubbers, the drop in the commodity plus the murder of another well-known individual in the planting world did nothing to improve an utterly depressed market. The grim business of accepting almost any bid continued. Even Industrials, which had previously shown resistance, wilted under further jettisoning by Home holders. While there are undoubtedly large funds awaiting favourable openings in this field, buyers are content to await the turn of events in hopes of meeting still more attractive offerings. Loans were offered more freely than at any time this year, and it would be surprising if it were otherwise in view of the Federation Government's impending loan.

slightly above the best prewar figures. The improvement since re-occupation has been brought about largely by the re-cultivation of abandoned land. For the 1947-48 season, the acreage under cultivation with wet rice was 802,700 acres which is 60,000 acres more than for the 1940-1941 season, but of this only 30,000 acres was developed from jungle in planned irrigation schemes.

Future increase in production will depend principally on the development of new land from jungle and increased yields per acre by improved irrigation and from improved strains of padi and cultural methods. The opening up of large tracts of jungle is a long, arduous and expensive process and spectacular progress cannot be expected in a short time. Not only does it involve the felling and clearing of the jungle, but the construction of drainage and irrigation works, the construction of access roads and the provision of social amenities for the colonists. Similarly there is no short cut to improved yields which requires years of intensive research work as well as the construction of irrigation works.

Could Malaya ever become self-supporting so far as rice is concerned? The answer is probably no, unless consumption per head of population falls very considerably. It is well known that as the standard of living rises, consumption of cereals has fallen in western countries and some such trend is likely in Malaya. Such a trend is already in evidence, though it has been brought about more by the shortage of rice than improved standard of living.

For Malaya to be self-supporting it is estimated that on present demands for rice and present yields it would be necessary to have no less than 2,500,000 acres under cultivation by 1957, or three times the present acreage. It is certain that there is not sufficient suitable undeveloped land available to achieve this even were it a practical proposition within the foreseeable future. There is probably not more than 600,000 to 800,000 acres of suitable land available and the most that could be hoped for would be to bring production up to 50% of requirements.

Greatest hope for the future therefore lies in increased yields. At present the average yield is only around 250 gantangs per acre, though under favourable conditions some land produces up to 500 gantangs per acre and more. The average yield can and will be improved, as much as 50%. Improvement of yields will prove cheaper than the development of new land and will be a vital factor in improving the economy of the smallholder as well as increasing production. A 50% increase in yields

last year. Biggest importers were the United Kingdom 17,958 tons, United States 29,417 tons, the Netherlands 9,165 tons, Germany 8,209 tons, France 4,680 tons and Russia 3,652 tons. Other importers were Japan 3,229 tons, Canada 3,659 tons, and Italy 2,886 tons with smaller amounts going to many other countries. Of the monthly total, the Federation exported 47,401 tons and Singapore 46,212 tons.

Pineapple Industry

Terrorism in Malaya seems to be hitting at yet one more indigenous industry, that of pineapple. It would seem that investors are not anxious to tie their money up in a business centred in the trouble spots of Johore which is the only state besides Selangor that produces pineapples. A shortage of fruit is now hampering the production of canned pineapples. Chinese packers blame this shortage for this season's low production of 35,000 cases and they fear that the quota of 95,000 cases earmarked for this season will not be filled.

Three years after the liberation the acreage under pineapple is still less than 15 per cent of pre-war area. This is due to the retarded progress in planting caused by the emergency. Although the area under planting has been increased to 6,000 acres since the liberation, still only 70 per cent is actually under production. This situation exists despite the fact that the Johore Pineapple Committee's recommendations to improve the industry were submitted to Government a year ago. These recommendations have not yet been finally approved: they include a new planting programme, a scheme for the modernisation of canneries and legislative control and regulation of industry. However the Government has so far allotted 11,000 acres of land among the various canners for cultivation but due to the emergency and lack of labour only half of this has been planted.

Last year 146,000 cases of canned pineapples valued at \$3,652,621 were exported from Malaya—chiefly to the United States, Eire, Canada and the Middle East. The pre-war figure averaged 2½ million cases.

Security Market

In their weekly report on the share market dated Feb. 12 Fraser and Co., have this to say: Malayan markets suffered last week in sympathy with the crack in commodity prices and further weakness on both the London and New York Exchanges. They were affected more particularly by a drop in the rubber price and the ever lengthening list of civilians murdered by bandits in the Federation of Malaya. Nor were operators impressed by the official statistics offered as proof of improvement that, whereas 48 civilians a month were killed in the second half of 1948, only 31 were murdered in January.

Whatever the cause, the week saw another bout of selling. With buyers

would bring production up to 50% of present requirements and would be equivalent to the development of 400,000 acres of new land.

Since 1933 nearly 100,000 acres of new land has been made available for padi cultivation, most of which has already been colonised and developed. Improved or new facilities have been provided for a large area, and 237,500 acres are now Government assisted or about 30% of the total area under cultivation.

For the future, projects are in hand to provide modern irrigation facilities to some 170,000 acres of existing land and the development of 70,000 acres of new land within the next five years, and further projects are being tackled.

Padi Planting

Wet Padi planted by Nov. 30, 1948: 798,443 acres; total acreage planted and to be planted 857,437, of which Kedah 31.92%, Kelantan 16.77%, Perak 14.8%, Selangor 5.78%, Pahang 5½%, Trengganu 5.19%, Perlis 5.07%, Penang 4.61, Negri Sembilan 4.04, Malacca 3.77, Johore 2.55%.

Dry Padi planted and to be planted: 65,186 acres. Total of wet and dry padi in Malaya: 922,623 acres.

MALAYAN MINES' PRODUCTION

During the last quarter of 1948 there was further progress in the rehabilitation of Malayan mines. Unsettled conditions have in no way affected production.

Exports of tin ore concentrates for the quarter in long tons were:—October—5,381, November—5,473, December—5,515, making a total of 16,369, and bringing the grand total for the year to 59,721 long tons. The figures for tin metal content were:—October—4,036, November—4,105, December—4,136, making a total of 12,277 long tons for the quarter and the grand total of the year 44,792.

Duty on tin exports paid in the last quarter of 1948 amounted to Malayan \$8,377,814. The duty paid for the whole year was \$29,425,879. The average assay value of tin was 75 per cent. The price of metallic tin remained steady at £554 a ton.

The number of tin mines and dredging units operating increased during the quarter. In October there were 617 mines and dredging units in operation, in November 632, and in December 633. Of the mines and dredging units, 101 were operated by Europeans and 532 were Chinese mines. Perak was the most productive State with 33,075 piculs of tin ore from European-owned mines, and 27,693 piculs from Chinese-owned mines in December. Selangor was next, the respective figures for December being 13,519 and 10,674 piculs.

There was a small increase in labour on Malayan mines. In October, 50,344

persons were employed, in November, 50,947 and in December 51,267. There was also an increase in the horsepower of machinery from 234,415 in October to 244,746 horsepower in December.

Coal production for the last three months of 1948 was 34,904 tons in October, 31,098 in November, and 32,864 in December, making a total of 98,866 in the quarter and a grand total for the year of 375,640 tons.

Production of gold increased from 799 troy ozs in October to 1,402 in December, making a total of 2,987 for the quarter and a grand total for the year of 10,216.

Production of other minerals during the quarter included 9 tons of scheelite, 13 tons of wolfram, 225 tons of iron ore and 187 tons of China-clay as well as exports of 3,085 tons of ilmenite.

NEW TIN PRICE

The current price is £554 per ton (metallic content) agreed upon between producers and consumers. The agreement is about to terminate and the tin trade is to be freed from international control. The International Tin Study Group is now drawing up a new scheme for assuring a stable price in future. The interested countries are 14, eight producers and six principal consumers. When the international allocatory system is discontinued a sliding scale of maximum and minimum prices will probably be introduced with the current price being guaranteed for another 2 years. Producers would have to give assurances that no curtailment of production will be attempted.

Malayan tin miners are interested to obtain the best price in a free market and are not in full agreement with the proposals emanating from the consuming countries. Future business conditions will be shaped by the U.S. stock piling policy; unless the U.S. Government continues with purchases of tin for its strategic stock—from currently 30,000 tons to eventually 300,000—the market will turn weak. Commercial requirements are well taken care of by tin mines but the current agreed price is considered by the consuming trade as high. Stocks held by the U.S. industry are estimated at 70,000 tons and Government stocks about 30,000 t. Tin mining interests in Malaya are confident that the American stockpiling policy will, in case of no price agreement being arrived at, lead to a high price and they are therefore anxious to derive the highest possible profits from the new situation which will arise after the period of international allocation comes to its end.

LOW MILL ACTIVITY

Direct shipments of raw materials such as rubber, sago, coconut, and timber—mostly from Indonesia—to consumers are depriving Singapore mills

of raw materials. To stay in business, some Singapore industrialists are contemplating building factories in the areas from which they used to obtain raw materials. Rubber mills are now in a worse position than a few months ago. If the situation does not improve further reduction in milling operations seem inevitable. Of the 11 Chinese-owned rubber mills in Singapore, only seven are at present in operation, and some on a part-time basis. Production of sheet rubber is only 25 per cent. of the former level, as only 100 milling machines are in use compared with more than 400 several years ago. Of the seven sago mills, six have already closed and the remaining one is scheduled to shut. Some coconut oil mills have been compelled to ship copra instead of milling it, because the demand for coconut oil has fallen.

SOAP PRODUCTION

There were at the end of 1948 in Malaya 41 soap factories in production, turning out during December 31,531 cases of 1,338,730 lbs. Location of factories: Perak 7, Selangor 6, Malacca 4, Penang 16, P. Wellesley 1, Johore 3, Kedah 2, Kelantan 2.

Total production in 1948 was 448,623 cases weighing 16.9 million lbs. (Standard weights of cases of soap range from 15 to 72 lbs. 21 factories packed soap in cases from 15—30 lbs, 20 factories 31—40 lbs, 33 factories 41—50 lbs, 6 factories 56—72 lbs).

Sales of soap from Malayan factories during 1948: domestic 368,347 cases, 13.5 million lbs; Singapore 1,623 cases, 63,030 lbs; sales to foreign countries 78,735 cases, 3,384,083. Stocks at end of 1948: 12,862 cases, 586,716 lbs.

COPRA, COCONUT IMPORTS & EXPORTS

Imports of copra in 1948 into Malaya totalled 12,948½ long tons, mostly from Indonesia and Siam. Imports of coconut oil in 1948 totalled 122.8 tons, and imports of coconuts were 5,300 pieces.

Exports in 1948 of copra totalled 20,406 long tons, coconut oil 28,212 tons, and coconuts 4,473,600 pcs. Shipments were directed to U.K. and European countries, India, Pakistan, Hongkong, and Singapore.

RUBBER EXPORTS IN JANUARY

Malaya exported 93,613 tons of rubber in January—about 1,000 tons less than the 1948 record of 94,608 tons, reached in November. Crepe and sheet rubber totalled 89,239 tons, while the rest was in the form of latex.

About 46,212 tons of the January shipments were made from Singapore. The rest direct from Federation ports. More than 11,000 tons of the Singapore shipments were rubber transhipped from the Federation.

Malaya's best customer, the United States, took 29,417 tons of rubber. Rubber exports to the United Kingdom, the Netherlands and Germany were 17,958 tons, 9,615 tons and 8,209 tons respectively. Malaya exported only 3,652 tons of rubber to USSR.

RUBBER MARKET

Prices in Singapore are at par or in excess of London and New York levels a result of profitable purchases by the USSR. Demand by the Soviets is far from satisfied which fact together with the tendency in America to acquire a considerable stockpile influences rubber prices. On the other hand production in Malaya, irrespective of the terroristic campaign, is high and stocks are more than adequate. Reports from other producing countries in the Far East also show that output is satisfactory. Demand for natural rubber will have to improve further if current prices are to be maintained.

Outlook for rubber consumption in 1949 is about the same as for last year. Synthetic rubber is finding more customers all over the world. An expansion of business is anticipated with European countries where particularly lower grades are already finding ready markets.

Current prices in Singapore (in Malayan cents, per lb) spot loose 36½-37.1/8; fob, February shipment, 1 R.S.S. 36.1/8-37¼.

London rubber prices, January/March 11.½d. per lb, April/June 11.3/16 d, July/September, 10.15/16 d.

New York, for standard contract rubber futures, February 19.15 US cents, May 18.85 c.

HOUSING & BUILDING CONDITIONS IN SINGAPORE

More residential houses than any other type of building were erected in Singapore last year, and in the Municipal area alone the return of buildings completed during 1948 show an increase of about 70 per cent. over 1947 figures. At the end of the year a total of 195 domestic houses were completed, compared with 39 in 1947, in the Municipal area. In the Rural Board area, more than 330 bungalows, shophouses, terrace and other residential-type houses were built during 1948. These figures do not take into account the construction of quarters by Government, and the building programmes of both the Improvement Trust and Municipality, which were considerable during 1948.

There was a definite trend of speculative building in the smaller type of house. In spite of comparatively high building costs the demand for new houses has not yet been satisfied. People are still finding it profitable to build and sell houses.

Within the Municipality, the Architect's Department last year handled 39

contracts for new construction, totalling \$2,950,000, and 56 contracts for rehabilitation and maintenance work totalling \$660,000.

Advice by Sir Patrick Abercrombie will be embodied in a report on Singapore housing. Sir Patrick has approved the Singapore Housing Committee's programmes for the next three years, and the report is now being studied by a select committee. The report recommends immediate provision for housing about 36,000 people in 4,336 dwellings at a cost of about \$32,000,000.

One reason for congestion in the heart of the city is the number of shophouses. The plan intends to move them out into industrial or satellite towns outside the city. If private enterprise would not create such towns, some central body appointed by the Government would have to build prefabricated houses outside the city and encourage people to move. Staff and empowering legislation for acquiring property, are prerequisites before such an elaborate programme could be launched.

The housing committee's immediate recommendations are for 1,008 flats; 400 tenements; and 148 shops this year, at a cost of \$12,400,000; and 1,100 flats, 500 artisans quarters, and 100 tenements for 1950 at a cost of \$12,360,000.

TRADE WITH JAPAN

The Governments of the Federation of Malaya and Singapore jointly decided, in view of the recent Trade Agreement between certain members of the sterling area and S.C.A.P., to send an official representative to Japan. This procedure is to facilitate the future operation of the agreement in so far as Malaya is concerned. In addition, it provides a channel through which S.C.A.P. authorities can be kept informed of Malaya's more urgent needs, the direction in which her interests lie

and of other matters relevant to Malaya's export trade in relation to Japan. A further trade agreement for a period commencing July 1, 1949, is due to be formulated shortly. The existing experimental agreement has provided valuable experience and information regarding the many difficulties involved and the Governments are confident that by close consultation between their official representative and S.C.A.P. the aim of the present and future agreements, which is the improvement of trade, will be fully achieved.

The Malayan Representative is Mr. A. D. Stutchbury of the Malayan Civil Service who was before the Representative in Singapore of the Government of the Federation of Malaya.

Interest in Singapore in expansion of Malayan-Japan trade is enormous. Especially textiles are in great demand which Japan can deliver at relatively cheap prices and at a good standard of locally required clothing materials.

Malayan produce such as rubber and coconut oil are the main items to earn urgently required Japanese imports. Up to March 1948, Malayan credits in Tokyo were to some extent transferred to Hongkong which Colony used them for increasing their imports from Japan as direct shipments from Hongkong to Japan (plus earnings from services rendered like shipping, banking, insurance) were far behind the demand made by importers of Japanese commodities.

Some resistance to Japan trade was previously noticed in Singapore where Chinese merchants still harboured some resentment as to what they called Japanese penetration into the Malayan market. But this sentiment has given way to sound commercial calculations and the realisation that Japan will remain one of the major supplier of consumer goods needed in the tropical countries of Asia.

Chinese Trade & Production Reports

The multiplying economic, financial, and social complications resulting from the civil war—which the Central Government had unsuccessfully attempted to stem through the issuance of the new gold-yuan currency and the initiation of an economic reform program on August 19—have now placed the Chinese economy in a most perilous position. The civil war appears to be lost for the Kuomintang and the best which can be hoped for now is surrender on generous terms to be granted by the victorious Communist armies which seem to be fully supported by the rural population while the urban population is either sitting on the sidelines or hostile to continued rule, or rather misrule, by the Nanking authorities. The city proletariat is, however, actively supporting the system and policy of the Communist Party. Until a compromise can be found or the surrender is complete,

the national economy of China is bound to deteriorate further. Financial instability makes the ordinary pursuit of business impossible; production is hampered in every respect while hoarding and speculation in domestic and foreign goods remain the principal occupation of the merchant class.

Industrial stagnation was settling over the entire Nationalist economy by the end of last October as increasing price disparities, a disrupted transportation system, and acute fuel and raw-material shortages crippled the industrial system. The continuing disruption of coal deliveries from the Kailan Mines at Tangshan produced a critical fuel situation throughout the coastal regions, but particularly in the Shanghai area, where emergency stock piles of coal are nearing exhaustion. The urgent necessity for providing immediate deliveries of coal forced the

Central Trust of China to purchase 50,000 tons from the U.S.S.R. and 20,000 tons from the United States. Latest arrangements with Communist authorities may result in more regular coal supplies against grain from Shanghai.

Trade Developments

Between January and August 19, the import and export trade followed a pattern similar to that of 1947. The modified link Foreign Exchange Surrender Certificate system provided a reasonably satisfactory compromise between a strict adherence to a static official exchange rate and an acknowledgment of the economic validity of the ever-increasing black-market rates of exchange. The "official-open-market" rate combined with the freely arrived at Certificate rate, amounted to about 60 to 70 percent of the black-market rates. On this working basis, imports received the benefit of cheap foreign exchange and business was attractive, and as such, was limited only by delays in the approval of import licenses.

On August 19, the date the new currency became effective, prices were frozen on the basis of the Exchange Surrender Certificate which then was CN\$8,276,000 per US\$1. The new currency was made convertible, at CN\$3,000,000 to 1 gold yuan, and 4 gold yuan to US\$1. This meant that the retailer or wholesaler had his prices fixed on the former basis, whereas, if he sought to reorder the same goods after August 19, he would have to pay on the latter basis, thereby automatically obtaining some 30 per cent less than his replacement cost. Because of this, and of increases in taxes and customs duties, business came to a standstill.

Export business up to August 19 had been done by selling ahead in the expectation that exchange rates would advance sufficiently to cover the intervening interest charges on packing advances, and by utilizing the widely acknowledged device of undervaluing cargo on the commercial invoices according to which foreign exchange was sold to the Government. All this was changed, however, by the decrees of August 19. Exports made tremendous gains. The overnight increase in the local currency yield of foreign exchange receipts by 33,1/3 per cent and the apparent guaranty that exporters would thereafter be able to obtain replacement cargo at the local prices current on August 19 were the causes of the sudden increase in exports.

Both aspects of the foreign-trade situation were affected by the inability of the Government to enforce the new economic-control measures. Neither the prices of export commodities in the rural areas nor the prices of imported goods in the cities remained

Economic Developments in the Philippines

Although commercial activity continued at a high level throughout the third and last quarter of 1948, the recession from the postwar high which began in the second quarter continued through September. The "leveling-off" process was more notable in foreign than in domestic trade, as wholesalers, to some extent under compulsion of their banks, reduced inventories of imported goods.

Returns from tax collections continued above expectations, and currency in circulation and available for circulation reached 835,000,000 pesos on September 30, the highest figure since January 31, 1946. There were indications of a slowing down of disbursements of dollar exchange for consumer goods and an increase in the proportion of durable items on import manifests.

Dollar remittances from United States Government funds continue to generate purchasing power at base levels of the population faster than it could be spent. Although direct payments by United States Armed Forces decline —

and will continue to fall off — receipts from war-damage compensation, veterans' benefits, and Philippine rehabilitation-program payments increased. Such disbursements probably will not reach their aggregate peak until late in 1949.

The official cost-of-living index reversed its downward trend and rose from 244 in early July to 254 in late September (1941=100). The advance was attributable almost solely to a substantial increase in the price of rice. The question of whether administration of the Import Control Act would cause a rise in price of a wide variety of goods classified as luxuries or nonessentials is paramount.

Rentals of higher-priced apartments tended to weaken somewhat and the practice of demanding long-term leases and 6 months' or more rental in advance disappeared with the completion of several new apartment houses.

Agriculture

Copra shipments, totaling 120,557 long tons, were lower in the third quar-

constant for long. Both moved upward, gradually at first, but by the end of October in a crescendo. Imports—if and when licensed—were once again profitable, and exports were running into the same old difficulties, being priced higher in China than on the world's markets, when calculated at the official exchange rate.

Trade & Production Results.

The balance of trade for the first 8 months of the year was kept from being less unfavourable primarily because of the stringent restrictions on imports during the summer months. Imports for period January through August 1948 amounted to US\$157,100,000, as compared with exports, which were valued at US\$117,000,000 for the same period.

Exports of tea from China, including Taiwan, during the period January to July 1948, were about 22,000,000 pounds as compared with exports of 19,999,000 pounds during the corresponding period of 1947. Although exports of green tea to the United States have been smaller in volume than those of last year, exports of black and other kinds of tea have increased. Through June 1948, a total of 2,800,000 pounds had been shipped to the United States, as compared with 2,500,000 pounds during the first 6 months of 1947. The 1948 export crop probably will exceed the 1947 export production.

Hide-and-skin collectors in Yunnan indicate that 500,000 Yunnan goat-skins, mostly black (40 primes and 60 seconds), will be available for export this season. It is doubtful if many of them will be shipped because of the high cost of transportation and the reluctance of the farmers to accept "gold" yuan in payment. Collectors state that farmers would be willing to exchange the skins for cotton yarn.

Imports of raw cotton into China between August 1947 and June 1948 amounted to 697,244 bales of 500 pounds net. (661,897 bales previous period).

The final estimate of China's cotton acreage and production in 1947 indicates that 38,861,000 shih mow. (1 shih mow—0.1647 acre) of cotton were planted and collections amounted to 11,023,000 shih picul (1 shih picul—110.231 pounds). Estimates for 1948 state that approximately 37,564,000 shih mow will have been planted and that collections will amount to about 11,332,000 shih picul.

Estimates of the production of edible vegetable oilseeds for 1948 are as follows (in shih picul): Soybean, 120,863,000; peanuts, 60,071,000; rapeseed, 62,647,000; cottonseed, 26,441,000; and, sesame seed, 19,670,000. Estimates are higher than those of 1947 in every instance except for rapeseed which is some 20,950,000 shih picul lower.

The 1948-49 cane-sugar production in China is estimated at 812,000 metric tons (muscovado sugar basis), or 26 per cent larger than the 1947-48 production, but only 61 per cent of the pre-war average. Exports for 1947-48 are estimated at 45,000 tons of which approximately 40,000 tons is expected to be Taiwan sugar, half being sold to Japan. In the domestic market, although sugar is not liberally obtainable, there is no apparent shortage.

CHINA MOTOR VEHICLE IMPORTS

Imports of motive products into China, as shown by customs returns in the first 6 months of 1948, with figures for the comparable period of 1947 in parentheses, included 1,855 (1,976) motor tractors, trailers, and trucks; 943 (2,571) passenger cars and busses; and 8,672 (23,127) bicycles.

ter than in either of the preceding quarters in 1948, partly because of the west-coast (U.S.) maritime strike. A large number of trees damaged by typhoons in 1947 had recovered, however, and larger shipments were expected for the final quarter of 1948. Total exports for the first 9 months of 1948 amounted to 479,289 long tons, compared with 699,087 tons for the like period in 1947. Coconut-oil exports totaled 24,350 tons, or slightly more than the 23,251 tons shipped in the first 9 months of 1947. Production of copra in 1948 was estimated at slightly less than 800,000 tons, of which possibly 100,000 tons were required for the domestic market. The output of desiccated coconut continued at an accelerated rate, although some decline was anticipated for the fourth quarter.

The 1947-48 sugar season, ended August 31, 1948 yielded a total of 397,913 short tons of centrifugal compared with 84,200 tons for the 1946-47 season. During 1947-48 10 centrals in Luzon operated and 13 in the Visayan Islands. At the close of September, shipments of Philippine sugar to the United States amounted to 240,000 tons from the 1947-48 crop.

Production of abaca in the first 9 months of 1948 totaled 480,202 bales, compared with 614,817 bales in the corresponding period in 1947. The year's output was expected to reach only about 600,000 bales, as compared with 796,194 bales in 1947. Production from newly planted areas has not compensated for loss of the former Japanese plantations in Davao. Total shipments for the first 9 months of 1948 amounted to 482,366 bales, including some carry-over of 1947 stocks. The United States continued to be the principal market.

Typhoon damage to the rice crop, together with ineffective distribution, caused a shortage in the third quarter, and rationing of imported rice was instituted in Manila at controlled prices. Because of the rice emergency, a Commission was appointed late in September to study means of preventing the recurring shortage. Recommendations were expected to include improvements in agricultural methods, Government purchase of portions of new crops, greater supervision over distribution, and more effective control of prices. The rice crop of 1947-48 was officially estimated at 50,928,480 cavans of rough rice (109,780,000 bushels).

A total of 137,600 long tons of rice was allocated the Philippines by the International Emergency Food Council in 1948, and 27,200 tons came from Indonesia and Hongkong on a loan basis.

Mining

The five gold mines operating during the third quarter produced a total of 177,800 tons of milled ore, bringing the 9 months' production to 505,188 tons. Reopening of additional mines was further delayed by increased costs of labour and operators' concern over the possibility of nationalization of the profession of mining engineers, although the pending legislation was finally vetoed.

Bad weather conditions interfered with the production of chrome ore at two

of the three mines in operation, but 48,000 tons of refractory ore and 1,077 tons of metallurgical chrome were exported by two mines, and a stockpile of more than 10,000 tons of metallurgical ore was accumulated by the third. The Lepanto copper mines started operation of its mill on June 26, 1948, with an initial production rate of 250 tons per day. Regular shipments to the United States were expected to start in October.

Occasional shipments of manganese to Japan were made by one company in return for roofing sheets and other scarce materials. A contract was signed during the quarter with SCAP for delivery of 200,000 tons of iron ore to Japan on the stipulation that SCAP would make 8,500 tons of construction steel available to the Philippines.

Manufacturing

New industrial projects of the National Development Co. actually in operation at the close of the third quarter included the machine repair shop and nail plant. The capacity of the nail plant may total 5,000 tons by 1949, or roughly half the amount imported in 1947. Of 3,000 units of machine tools received from Japanese reparations, 400 units were allocated to Government agencies and 220 to private concerns. A National Bank loan of 2,000,000 pesos was approved for distribution to the National Machine Corporation, the nail plant, Insular Sugar Refinery, National Rice and Corn Corporation, and the Government's paper and lumber finishing mills and coal mine.

The San Miguel Brewery recently invested 4,100,000 pesos in new facilities, raising its capitalization to 20,400,000 pesos.

Domestic shoe producers have considerably increased the output of women's footwear, made with imported leathers and underselling imported styles. Manufacturers of rubber-soled canvas shoes claimed that the anti-dumping order against importation of men's shoes was being evaded by smuggling from Hongkong, invoicing men's shoes as women's, and importing parts for completion in local Chinese shops.

Official statements concerning selected manufactures for the fiscal year 1947-48 indicated that cigar production totaled 68,000,000 units, an increase over the preceding year, but only 24 percent of production in 1941. The output of 1,829,000,000 cigarettes was equal to 67 percent of prewar production, but was less than 1 percent of the actual consumption of cigarettes in 1947-48. The output of both alcohol and wine increased substantially. The Government-owned textile mill produced 11,927,000 yards of cloth in 1947-48, compared with 8,771,000 yards in 1946-47, but yarn output dropped from more than 1,000,000 pounds to only 412,000 pounds. At the close of the third quarter of 1948 the mill was operating 70 percent of its spindles part time. The second textile mill, to be received from Japan, was still in course of being dismantled.

Foreign Trade

Total imports into the Philippines for first 10 months of 1948 amounted to

846,000,000 pesos, compared with 839,000,000 pesos for the like period in 1947. Monthly figures since June were considerably lower than in any month during the first half of 1948, returns for September and October indicating imports valued at 56,000,000 and 46,000,000 pesos, respectively, in contrast to an average monthly figure of 101,000,000 pesos for the first 6 months.

Although imports out of proportion to normal consumption requirements continued for some months after the backlog of demand, caused by the war, had been satisfied, the decline appears to have definitely set in by the third quarter of the year. Effects, also, of the west-coast (U.S.) dock strike were noticeable by October, and increased sales taxes on luxuries and nonessentials—imposed in June 1948—may have affected import trade, although it was difficult to determine to what extent. Likewise, the net effect of the impending import controls was not clear. Although some importers doubtless attempted to stock articles of a nonessential nature, other orders may have been deferred in the fear that current imports would be charged against quotas.

Export trade for the first 10 months of 1948 was valued at 516,082,000 pesos, compared with 351,662,000 pesos for the corresponding months in 1947. For the first half-year, 91 percent of the export trade consisted of coconut products (including copra, desiccated coconut, coconut oil, and copra meal); sugar and molasses; abaca, cordage and mats; and leaf tobacco. Products comprising the remaining 9 percent included chiefly embroideries, logs and lumber, canned pineapples, shell buttons, vegetable lard products, soap and glycerin. Shipments of embroideries increased in value to 5,000,000 pesos in the first half of the year, indicating an advanced stage of rehabilitation of the embroidery industry. Exports of logs and lumber were retarded by Government limitations and later by the maritime strike. Exports of pineapples from the cannery in Mindanao began in the second quarter, and production and export of pearl buttons showed steady progress. Shipments of soap and glycerin have begun to assume importance, but exporters of rattan furniture, buntal hats, and copal have yet to recover their overseas markets.

Economic-Development Plan

A 5-year plan for economic development of the Philippines, submitted by Philippine Secretary of Finance Cuadernos to the International Bank for Reconstruction and Development, calls for a total expenditure of US\$1,000,000,000. The plan is part of the Government's post-war program to bring economic independence to the Republic by conserving foreign exchange and reducing production costs of export commodities with a view to increasing their competitive strength in world markets. Top priority would be given to agricultural development, in the hope of making the country self-sufficient in food products by 1952 and increasing the dollar value of its export crops. It is estimated that the index of world prices for export products will be reduced from the

ECONOMIC SITUATION IN BURMA

present level of 384—based on 1938-39 as 100—to 291 in 1952. New land would be brought into production under the plan through mechanization and existing farms revitalized by increased use of fertilizers and better strains of plants. In view of the anticipated increase in population from 19,000,000 at present to an estimated 21,880,000 in 1952, much of the agricultural development would be necessary merely to keep pace with population growth. The necessary outlay for agricultural expansion is placed at US\$254,000,000.

A total of US\$181,925,000 is expected to be needed for the development of manufacturing industries. Plants already in process of construction include factories for the manufacture of plywood, bottles, paper, nails, and knitted goods, with a total investment of \$7,350,000. Plans are completed for the production of electric lamps, wall-board, windows, paper containers, agricultural equipment, barrels, and ice, also for fish processing, and other activities, whereas plans for other manufacturing projects are in preliminary stages.

The program anticipates an investment of \$32,600,000 in the mining industry, with approximately half in gold and more than one-fifth in copper. Development of transportation and communication facilities would require between \$204,300,000 and \$229,700,000, including funds for rehabilitation of the railway systems and the procurement of 12 or more interisland ships and 3 to 6 ocean freighters. The construction of a shipyard and drydock at Manila and rehabilitation and expansion of telegraph facilities and radio broadcasting also are planned. The Government's public-works program is expected to require \$106,460,000, and a housing program, \$50,000,000.

Although private foreign capital is envisioned as an important source of funds for the development program, capital needs will be raised through taxation, domestic borrowing from the public, commercial banks, and the Central Bank, and through foreign borrowing. The so-called Cuaderno Plan is described as a general outline of development objectives, and not a detailed blueprint. The sums mentioned are "presented as an indication of the order of magnitude of the finance involved."

Central Bank

The Central Bank opened January 2, 1949, in temporary quarters in the Philippine National Bank Building, Manila. Secretary of Finance Cuaderno is Governor of the Bank.

Rehabilitation Finance Corporation

The Government Enterprises Council has authorized the Rehabilitation Finance Corporation to float a 50,000,000-peso bond issue, in addition to a similar amount issued in 1947. The Council recommended 10-year coupon bonds at either 3 percent per annum or at increasing rates of interest from 1 percent in the first year to 3 percent in the third year and thereafter. The purposes of the issue is to increase the Corporation's capital to 300,000,000 pesos. A total of 9,056 loans, aggregating 165,000,000 pesos, were made by the Rehabilitation Finance Corporation from January 1947 to October 1948.

Practically all of Burma's earning power is accounted for by production for export, in terms of income from exports and national income derived from the "export industries." The short-fall of postwar production below prewar levels has resulted in a serious gap between prewar and postwar earnings of foreign exchange. It is also of considerable consequence in terms of world shortages in essential commodities, particularly rice.

Agricultural Position

The recovery of rice production stand first in Burma's postwar production objectives. Rice accounts normally for approximately 70 percent of Burma's arable land and close to half the country's export trade. Internationally, Burmese rice normally represents about 40 percent of world trade in that commodity. Because of increased global requirements resulting from rising population levels, the average prewar export figure of about 3,000,000 long tons would have to be surpassed in order to at least maintain Burma's contribution to the diets of the deficit areas. In Southeast Asia the increase in population is estimated at 100 million since 1939. For this reason, plus consideration of an increased population in Burma, production would have to exceed the prewar level of over 7,000,000 long tons of paddy (about 5,000,000 tons of rice). Early last year the Government of Burma announced the following targets of rice acreage and exportable surplus:

Year	Matured acreage (In millions of acres)	Exportable surplus (In millions of tons)
1947-48	9.0	1.76
1948-49	10.0	2.18
1949-50	10.75	2.46
1950-51	11.5	2.94
1951-52	12.0	3.18

According to official estimates, the paddy acreage expected to mature in 1947-48 was 9,153,000 acres, compared with the prewar 5-year average of 12,800,000 acres. Estimated production for 1947-48 was 5,406,000 tons of paddy, with an exportable surplus originally estimated at 1,600,000 tons of rice. Intensified insurrection since the summer of 1948 has had a serious impact on rice shipments as well as on all segments of the Burmese economy. By May 1948 it had been estimated that Burma's exportable surplus would amount to a little over 1,400,000 tons. Because of the effect of internal disturbances on transportation of available paddy to milling and port facilities, late estimates of rice exports for 1948 were down to 1,250,000 long tons. According to an assessment of the prospects for next year by a member of the Burmese Cabinet, there is some doubt whether the acreage target for 1948-49 will be achieved.

The pace of recovery in rice production and exports depends to an important degree upon the ability of the cultivator to obtain plow cattle, consumer goods, agricultural loans, and satisfactory prices, as well as upon such basic factors as the reconstruction of transport and the maintenance of law and order. These requirements are in effect the reconstruction needs of the Burmese economy as a whole. The Government has extended subsidies and loans to the paddy cultivator and has attempted to restore law and order in rural areas. The Government has been forced to step into the financial breach left by the reluctance of Indian Chettys, heretofore the dominant factor in Burmese agricultural finance, to commit themselves further. Deterrent factors in this connection have been lawlessness; inability to collect rents, interest and capital on investment; the Government's nationalisation programme; and laws affecting agricultural finance, such as the law of July 19, 1947, which in effect fixed agricultural land revenues owed by the owner to the Government at half the rent received.

Before the recent disturbances, prewar levels of exportable surplus in rice were not expected until 1953, account having been taken of a population increase. It is possible that this estimate is still valid, considering the steps to recovery which will presumably be taken in the interim.

Although Burma is self-sufficient in rice and is once more the world's principal exporter of that commodity, there are shortfalls in domestic supply of other agricultural products. With regard to sesame and groundnut production, estimated combined acreage for 1947-48 of approximately 1,700,000 acres compares with a corresponding prewar acreage of 2,200,000 acres. In terms of edible oil, combined prewar production average 62,000 long tons annually, compared with a calculated total of approximately 48,000 tons in 1947-48. In terms of per capita production, these totals amount to approximately 9 pounds before the war and about 6 pounds in 1947-48. Before the war Burma was a net importer of edible oils to the extent of approximately 7,000 long tons per annum. The Government's postwar plan calls for self-sufficiency by 1951-52, but this estimate takes no account of population increase, and it will probably not be before 1952-53 that Burma attains self-sufficiency in production of edible oils. Because of the shortfall in production compared with prewar, it has been necessary to import greater quantities of edible oil from India than was required before the war.

With regard to cotton, prewar production amounted to 100,000 bales per annum, of which approximately 90,000 bales were exported. The Government

anticipates that prewar production levels will be reached by 1951-52. There will undoubtedly be a changed pattern of cotton consumption in Burma as the result of the establishment of a cotton spinning and weaving factory by the Government and the development of cotton industries. Burma also will probably want to resume prewar exports of raw cotton in order to pay, for example, for imports of equipment from Japan. It may, therefore, be beyond 1951-52 before Burma attains the level of cotton production required to satisfy total requirements, domestic and export.

Burma is now believed to be producing beans and pulses sufficient only for domestic consumption at prewar per capita rates. Before the war, total production of these commodities amounted to 250,000 long tons, of which 150,000 tons were for internal consumption. Production targets announced early this year call for 150,000 tons in 1947-48, 200,000 tons in 1948-49, and 250,000 tons by 1950-51. Because of increased population and current civil strife, domestic requirements will probably not be met next year and, in view of the population factor, adjusted prewar levels may not be realized by 1950-51.

Sugarcane acreage is estimated at 32,000 acres for 1946-47, compared with approximately 77,000 acres in 1940-41. Production of refined sugar for 1947-48 was expected to leave a consumption deficit of approximately 30,000 long tons. Total requirements of refined sugar are estimated at 40,000 tons. Production targets call for 22,500 tons in 1948-49, 30,000 tons in 1949-50, 39,500 tons in 1950-51, and 40,000 tons in 1951-52. It may take until 1952-53 before sugar production can meet total consumption requirements, account being taken of increased population.

Forest Products

The primary obstacle in the restoration of teak production has been the shortage of elephants required to haul the timber to water, and other media of transportation. It is reported that the number of elephants used by the teak industry has declined from 8,000 to 9,000 prewar to about 3,500. Teak lessees purchased substitute animals suitable for this work but these have been scarce and expensive. Whereas there is adequate rice milling capacity to handle present availabilities, there has not been enough sawmill capacity to take care of even present levels of teak extraction, most of Burma's teak milling capacity having been destroyed during the war. The effect of civil strife on teak availability, however, has probably enhanced the adequacy of milling capacity for the time being.

Although girdled trees were available at the end of the war, permitting the resumption of extraction, most of the teak resources were unworked during the Japanese occupation and required the reinitiation of the extraction cycle. Approximately 3 years are required

before teak is ready for movement to the mills, with an aggregate of about 6 years required before the teak actually reaches Rangoon for processing. It has been estimated that the restoration of teak production to prewar levels will take between 5 and 10 years. The Government has set the following production targets:

Year	Production (in tons of logs)
1947-48	170,000
1948-49	230,000
1949-50	290,000
1950-51	340,000
1951-52	400,000

Before the war Burma was the world's most important exporter of teak, averaging 214,000 long tons annually, in the period 1933 to 1938, compared with 54,000 tons from Siam, 12,400 tons from French Indo-China, 10,000 tons from Java, and 1,800 tons from India. Export availability from limited current production are dependent upon the priority claims of domestic requirements. Although teak exports amounted to over 47,000 long tons in the period from November 1946 to October 1947, exports from July 1947 to September 1947 were at an annual rate of 70,000 long tons. Estimated 1947-48 exports of lumber, which must be considered as largely if not wholly teak, amounted to 77,350 long tons.

Metals and Minerals

Restoration of prewar levels of minerals production requires, among other things, the reconstruction of extraction facilities, the draining of the mines, the installation of new hydro-electric capacity, the rehabilitation of the transport system, and the availability of Indian and Chinese labourers. With respect to labour requirements, there is still no resolution of the difficulties between India and Burma regarding the movement of Indians to Burma. On the other hand, Burma is not anxious to countenance the return of Chinese, reflecting the reluctance of countries in Southeast Asia to increase the Chinese segment of their population.

A report of the Burma Corporation, which operates the Bawdwin mine, indicates preliminary annual targets for the eventual resumption of mining operations at about 12,000 tons of refined lead and 840,000 ounces of silver, or about one-sixth of average prewar production. It has been estimated that restoration of volume production in petroleum and mineral ores will not be achieved until 1950-51.

The estimates relating to a return to prewar performance by 1950-51 will probably prove to have been optimistic, considering the many problems which particularly beset the mining industry, in terms of labour requirements, essential supplies, and transportation. The original scheme for reconstruction of the railroads called for completion by the end of 1950; but it is now expected that, although most of

the job will be accomplished by then, the completion will take longer. Much progress has been made, however, and new locomotives have begun to arrive from the United Kingdom.

The failure of Burma's petroleum industry to resume anything approximating prewar levels of production has resulted not only in a loss of substantial foreign exchange which might have been earned from exports of kerosene, paraffin, lubricating oil, and mineral oils, but in the necessity for imports of many of the petroleum products of which Burma is normally a net exporter.

Postwar Development Plans

Because of the practically monoculture pattern of Burmese agriculture and the limitation of secondary production largely to the processing of raw materials for export, the Government of Burma has directed its planning to industrialization and the diversification of agricultural production. In agriculture its plan calls for double cropping, the introduction of new crops, the expansion of production in deficit crops, and the development of agriculture through increased use of fertilizers and advanced technical processes, including the introduction of mechanized cultivation.

The following industrial projects are scheduled for future implementation: A cotton spinning and weaving factory, which will begin operation in 1949; tile factories; production of pulp and paper; production of chemicals (sulphuric acid, caustic soda, and chlorine) (Burma is close to self-sufficiency in salt); two additional sugar factories; a steel rolling factory utilizing locally available scrap; the establishment of a soap industry; the improvement of rice milling operations; the establishment of pottery works; the production of bicycle tires and rubber shoes; and the development of coal deposits. Considerable attention is also being devoted to hydro-electric development. The field of economic development beyond reconstruction has become an undertaking of Government on its own account.

Because of the predominance of foreign capital in the key sectors of Burma's economy, notably in the extractive industries, the pace of postwar reconstruction and of the restoration of Burma's earning power is closely related at this stage to the return of foreign capital. In addition to the deterrents to private capital resulting from intensified civil strife, there are other factors to be considered such as pending claims for war damage compensation and the Government's socialistic programme. It is largely in mining and petroleum that the role of, and future opportunities for, private investment have a significant bearing on the progress of rehabilitation, for it is here that requirements of capital and technical assistance bulk particularly large. Nationalization has stopped short of these segments of the economy, but the

socialist mandate of the constitution of independent Burma has served to discourage private capital from committing itself in a degree commensurate with the country's postwar reconstruction requirements.

Destructions by armed insurrection

The armed insurrection now taking place in many sections of Burma has resulted in serious damage to the country's domestic commerce. Of special significance is the disruption of the transportation system, with rail and river traffic uncertain and spasmodic and road traffic in rural areas highly unsafe. Consumer goods have consequently been piling up in Rangoon warehouses and the rural population in both Lower and Upper Burma has been deprived of many supplies.

Considerable difficulty is also being encountered in moving agricultural, forest, and mineral products from their sources to Burmese ports. Because of the critical situation which prevailed in Bassein, Burma's second most important port, it was necessary for the Government to fly oil, sugar, and textiles to that area.

Supplies of rice were flown to certain deficit areas in order to avert possible shortages which might otherwise have occurred as the result of uncertainty in land transport. These shipments by air freight were very much limited and it was not expected that air transport would be used again except in particularly urgent conditions.

The only cement factory in Burma, located at Thayetmyo near Prome, is reported to have been effectively wrecked by the insurgents, and the resumption of production will now be further delayed. The factory was to have commenced production in September 1948 with a monthly output of 2,000 long tons of cement. Developments of this kind impose a burden not only on Burma's supply position in an essential product but also on the country's foreign-exchange position in terms of necessitating continued imports of cement as well as the purchase of capital equipment for the reconstruction of plant capacity. Insurgents have also wrecked the machinery of a large sawmill near Rangoon.

Power Supply

There are now 8 towns served by public power out of 24 which have been contemplated by the end of 1948-49. There are also many towns benefiting from private power installations. The total number of towns served by electric power before the war was 90. The largest power installations in Burma before the war were adjuncts of mining and other large-scale undertakings. These facilities were largely destroyed in 1942 and the process of reconstruction has been very slow. A new power plant has been built at the Burma Oil Co.'s installation at Syriam.

Constitution & Population of Burma

As far back as 1612 the East India Company had agents and factories at Syriam (near Rangoon), Prome and Ava. The first Burma war gave in 1826 Arakan and Tenasserim to the British; in 1852 Pegu was annexed by Lord Dalhousie; in 1862 the Provinces in Burma were amalgamated under a chief commissioner, and in 1886 Upper Burma was annexed. In 1897 the charge was changed to a lieutenant-governorship. In 1923 the province was constituted a governor's province under the Government of India Act of 1919. It was separated from India on 1 April, 1937, under the Government of Burma Act, 1935. After separation from India the executive authority of Burma was exercised on behalf of His Majesty by the Governor, who had a council of ministers not exceeding 10 in number to aid and advise him in the exercise of his functions, except in so far as he was required to exercise them or any of them in his discretion.

Japanese forces occupied Rangoon on 8 March, 1942. The constitution was suspended during the occupation. After the defeat of Japan in August, 1945, the Governor returned to Rangoon on 16 October, and the civil administration of the country was resumed from that date, except in the Tenasserim Division and Karenni. A conference held in London in January, 1947, between His Majesty's Government and representatives of the Burma Executive Council, reached an agreement 'as to the methods by which the people of Burma may achieve their independence either within or without the Commonwealth, as soon as possible.' Full independence was granted by Britain to Burma in 1948.

There are 7 administrative divisions of Burma (4 Lower Burma, 3 Upper Burma). The northern and southern Shan states, which form part of Burma, are administered by their Chiefs under the supervision of the Commissioner of the Federated Shan states. These groups were federated in 1922, and since 1923 there has been a council of chiefs. In 1930 the unadministered area between the Lushai Hill district, the Chin Hills district, the Akyab district, and the Hill District of Arakan, was absorbed into the Chin Hills District and the newly constituted Arakan Hill Tracts, and also taken under administration, the Chin Hills Regulation being applied

to it. The Arakan Hill Tracts are administered by a superintendent who is under the control of the Commissioner, Arakan Division. The first step towards direct administration in the Triangle and Hukawng Valley was taken in 1930 by the application of the Kachin Hill Tribes Regulation, with slight modifications.

The 6 northern and the 28 southern Shan states, federated since 1922, are an integral part of Burma, forming, as they did, part of the old Burmese kingdom. They do not, however, fall within the ambit of the Burma legislature or ministers, but are specially administered. The total area is 57,816 square miles, with a population of 1,615,765.

To the south of the southern Shan states are the 3 Karen-nee-states, with an area of 4,519 square miles and a population of 58,761. They form a group of feudatory states, and are not part of Burma. They were administered by their own chiefs under the advice of the Commissioner of the federated Shan states through his representative, an assistant political officer, who resided at Loikaw.

On 12 February, 1947, agreement was reached by the chiefs and representatives of the Shan states, Kachin Hills and Chin Hills and by representatives of the Governor's executive council for the co-operation of the frontier areas in the Burmese Government. Under the agreement the frontier areas have been brought within the scope of the executive council and a member representing the frontier races and two deputy councillors have been appointed to the executive council.

The area of Burma is 261,610 square miles. Burma proper, inclusive of the Chin Hills and Kachin Hill Tracts, covers 192,158 square miles. The Shan states cover 62,335 square miles, and there are 7,117 square miles of unadministered territory. The prewar estimated population was 15 million, including 9,000,000 Burmans, 1,200,000 Karens, 1,000,000 Shans, 300,000 Chins and 150,000 Kachins. Of the non-indigenous races the Chinese (150,000), the Indo-Burmans (120,000), Indians (887,000), Europeans (8,000) and the Anglo-Indians (17,000) are the most important. The leading towns are Rangoon, the capital (400,415), Mandalay (147,932) and Moulmein (65,506). The proportion of religions per 1,000 in 1931 was:—Buddhists, 843; Animists, 52; Mohammedans, 40; Hindus, 39; Christians, 23, and others, 3. The Burmans belong to the Tibetan group.

Burma's Internal & External Finances

Burma's budget estimates for 1948-49 (October to September), which were formulated some time before presentation to the Burmese Parliament in September, could not take account of the subsequent deterioration of the country's political and economic position and its ramifications in terms of revenues and expenditures. The budget estimates contemplated revenues of 520,784,000 rupees, compared with expenditures amounting to 621,698,000 rupees, leaving an estimated deficit of

100,914,000 rupees. It is now expected that the deficit for 1948-49 may exceed 300,000,000 rupees.

Like the first budget of independent Burma, covering the period October 1, 1947, to September 30, 1948, the 1948-49 budget makes no provision for receipt of external financial assistance. The Government of Burma actually borrowed £10,000,000 (approximately 133,000,000 rupees) from the United Kingdom during 1947-48 for the purpose of financing rice purchases by

the State Agricultural Marketing Board, which is the sole purchaser of Burmese rice for export, but this loan was repaid in full during the same fiscal period. External financial aid was, however, a conspicuous factor in Burma's fiscal position between the end of the war and the achievement of independence. Rehabilitation credits were made available by the United Kingdom, in addition to loans to cover budgetary deficits on revenue account. By October 1947 Burma owed the United Kingdom approximately 420,000,000 rupees in respect of these advances.

A surplus in the revenue budget for 1947-48 was expected to result from an increase in the average f.o.b. price of rice from £23-1/3 to £38 per long ton and the expected shipment of 1,600,000 long tons of rice in 1948 compared with exports of 861,000 long tons in 1947. These developments in the rice trade were expected to offset the originally estimated revenue deficit for 1947-48 of 37,000,000 rupees, based on exports of 1,000,000 long tons at an average price of £33-1/3, and leave a surplus of approximately 56,000,000 rupees. Whereas the initially estimated deficit of 37,000,000 rupees plus an estimated deficit of 48,300,000 rupees on Debt, Deposit, and Remittance account (the Ways and Means budget), totaling 85,300,000 rupees, would have caused a decline in Burma's cash balance from 115,880,000 rupees on October 1, 1947, to 30,580,000 rupees at the close of the fiscal year, the increment of 93,000,000 rupees resulting from adjustments in the price and estimated volume of rice exports was expected to add 7,700,000 rupees to the opening balance, leading to a closing balance of 123,600,000 rupees.

Instead of a surplus on revenue account for 1947-48 and an addition to the cash balance, the Government, in presenting its proposals for 1948-49, estimated a deficit of 49,521,000 rupees for the preceding fiscal year and a reduction in the cash balance from 115,880,000 rupees to 115,654,200 rupees, resulting primarily from the transfer of the accounts of the Civil Supplies Department from the Ways and Means to the revenue budget and from the introduction of new pay scales beginning April 1, 1948. These revised estimates still take no account of the deterioration in Burma's rice export position. The shortfall of 350,000 long tons below the earlier expectation of 1,600,000 long tons is sufficient to cause a further deficit of approximately 66,000,000 rupees, leaving a total revenue deficit for 1947-48 of approximately 115,000,000 rupees and a closing balance of approximately 50,000,000 rupees. The Government's budget for 1948-49 as

Industrial Rehabilitation in Indonesia

Industrialisation was still in its infancy at the beginning of 1941. Aside from the processing of agricultural products for export, the country's industries were devoted chiefly to the production of consumer goods, such as textiles, paper, soap, glassware, rubber goods, foodstuffs, beverages, and tobacco products. There were also a number of

machine shops, mainly for repairing railway and plantation equipment, and shipyards, chemical works, and tile factories. During the Japanese occupation some factories were converted to the production of war materials, others had machines moved for use elsewhere, and many suffered from deterioration due to neglect. Moreover, numerous factories were destroyed, damaged, or looted during the period of political unrest which followed the war. Rehabilitation of industrial establishments has been retarded by the lack of trained personnel (especially western technicians and administrative personnel, many of whom are still mobilized) and the shortage of foreign exchange for the purchase abroad of materials, machinery, and spare parts. To assist industries in meeting local expenses the Government issued licenses to individual enterprises, unblocking their frozen pre-war bank balances and authorizing banks to make funds available to them, not exceeding stipulated amounts, with or without Government guarantee. Under this system licenses were issued to industrial enterprises to the amount of 11,521,961 guilders (US\$4,343,779) in 1946 and 14,271,653 guilders (US\$5,380,413) in 1947. Insofar as possible, allotments of foreign exchange were also granted for the import of essential equipment or raw materials, but owing to the country's critical exchange position such allocations were necessarily limited.

It is estimated that in 1947 industrial activity averaged about 30 percent of the pre-war level. A further gradual increase was expected in 1948, but full-scale rehabilitation cannot be undertaken unless foreign exchange or credits become available in adequate amounts. In connection with long-range plans for industrial expansion, consideration was being given to a reversal of the pre-war policy which confined industrialisation largely to Java. The resumption of the production of rubber tires in an American factory in Java is one of the highlights of industrial recovery in 1947. The year's output included 27,000 automobile and truck tires and tubes, as well as bicycle tires. The only cement factory in the country, located at Padang in Sumatra, was reopened in 1947 and attained an output of about 5,000 tons a month.

Of the 27 larger machine shops in Java, 8 were recovered by the Dutch in the military advance of July 1947. Together with the smaller establishments in Dutch territory, these attained an output equal to about 30 percent of the pre-war level. The seven paint factories in the Dutch-controlled areas

Burma's Budgets, Prewar and Postwar
(In thousands of rupees)

Year	Revenue	Expenditure	Balance
1937-38	158,919	146,293	+12,626
1938-39	164,269	154,006	+10,263
1939-40	180,315	163,808	+16,507
1940-41	174,210	178,570	-4,360
1941-42	171,318	182,768	-11,450
1945-46	105,841	161,354	-55,513
1946-47	283,800	429,200	-145,400
1947-48	674,190	723,711	-49,521
1948-49	520,784	621,698	-100,914

presented to the Parliament estimated a closing balance on September 30, 1949, of 36,168,000 rupees.

The sharply reduced closing balance based on the budget estimates as presented to the Burmese Parliament leaves little if any working reserve for additional unbudgeted expenditures on reconstruction and economic development.

Although business income in Burma has been taxable, 1948-49 marks the first year that excess profits will be subject to taxation. The bill that has been presented to the Burmese Parliament calls for a tax of 16-2/3 percent (1) on business profits over 100,000 rupees in the case of a company or firm with not more than two working partners; (2) on profits over 150,000 rupees where there are three working partners; and (3) on profits over 200,000 rupees in the case of a company with four or more working partners or in the case of a Hindu undivided family. In view of the fact that the larger corporate enterprises in Burma are largely foreign concerns, the impact of the new tax will be felt chiefly by foreign firms. These are largely British, Indian, and Chinese.

Burma's success in achieving solvency in its internal and external finances may be said to rest on the stimulation of maximum production in all fields of the economy, the rapid rehabilitation of the distribution system and the arteries of communication, and a sound reconciliation of socialism with the need for private capital to implement the objectives of reconstruction. The eradication of lawlessness and the provision of incentives, however, are particularly imperative, as events of the last 6 months have made increasingly evident. Burma's budget for 1949-50 will reflect the extent to which these prerequisites of economic stability have been achieved.

could have equaled pre-war production in 1947, but were obliged to operate at only 50 percent of capacity owing to lack of foreign exchange for importation of raw materials. Two of the larger paper mills, with a total annual capacity of about 7,000 tons, were rehabilitated in 1947, and are expected to reach 50 percent of capacity in 1948.

Every effort was made to speed the rehabilitation of the textile industry, especially in Java. In the areas of Java under Dutch control some 45,000 hand looms and 6,000 mechanical looms were in operation before the war; an inventory taken after the military advance in July 1947 showed that only 8,000 hand looms and 2,300 mechanical looms remained. In order to economize on foreign exchange, mechanical looms—recovered from burned mills in a condition which would normally have led to their being scrapped—were painstakingly repaired and placed in operation. By the end of 1947 textile production had attained about 30 percent of the pre-war level. The mechanical and hand-loom output could have been considerably higher if more foreign exchange had been available to import yarns.

With regard to industrial activity in the Republic of Indonesia—which controlled until recently parts of Java and Sumatra—little is known. Production was limited by a shortage of trained personnel and inability to import raw materials and equipment. Special attention was paid to the textile industry, but an inadequate supply of yarn seriously curtailed production.

SIAM'S US\$ RECEIPTS

Siam's total US dollar receipts from rubber in the first 9 months of 1948 are to reach \$20,000,000. In consequence of the Government's exchange control provisions for rubber shipments, 20 percent of these receipts are retained in foreign exchange by the Bank of Siam. In this manner, rubber has become Siam's second largest dollar earner, topped only by rice.